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THREE-YEAR PROGRAM
OF
ECONOMIC AND SOCIAL DEVELOPMENT

(FY 1959-'60 TO FY 1961-'62)

ADOPTED BY THE NATIONAL ECONOMIC COUNCIL
ON JANUARY 2, 1959

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National Economic Council
Manila, Philippines

REPUBLIC OF THE PHILIPPINES
NATIONAL ECONOMIC COUNCIL
OFFICE OF THE CHAIRMAN
MANILA

January 28, 1959

The President of the Philippines
Malacañang, Manila

Dear Mr. President:

I have the honor to submit for your consideration and approval, the attached Three-Year Program of Economic and Social Development, for the fiscal years 1959-1960 to 1961-1962 as adopted by the National Economic Council at its meeting on January 2, 1959.

In essence the Program outlines a deliberate, systematic, moderate and progressive approach to the solution of the country's economic problems, and embodies measures that you have already taken, to improve the living standards of our people. The Program would accelerate the building of the national stock of capital of a character that will both result in accelerating the increase of the national income and laying a firm foundation for the country's future development. In the Program we have reaffirmed the governmental policy of free enterprise in the pursuit of economic activities although we have provided in necessary cases the role of the government in the total development effort. In effect the Program will be a joint partnership between the government and the people.

It must be stated that the Program is by no means rigid. The administration may initiate such changes as may be necessary from time to time depending on the actual performance of the economy, recognized limitations and prospects for further advance and in general, on the continually changing economic circumstances internally and externally. In all cases, changes will be made taking into consideration the objective of an optimum increase in income and employment while maintaining conditions of relative monetary stability.

The members of the Council and I express our grateful appreciation for the privilege that your Excellency has accorded to us in helping formulate the blueprint of the country's economic and social development.

JOSE C. LOCSIN
Chairman

[illegible]

[illegible]

The President of the [illegible]

Dear Mr. President:

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

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* Abroad, on a fellowship grant.

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Chapter I

SUMMARY AND RECOMMENDATIONS

A. Summary of the Program

Nature and approach

1. The Three Year Program of Economic and Social Development represents an outline of what is envisaged to be an orderly, uninterrupted and reasonably rapid and integrated development of the economy. It provides for new additions to the country's stock of capital through the development of agriculture, manufacturing, mining, construction, transportation and communication, power and other utilities. It aims through appropriate policies and measures at the expansion and improvement of domestic and foreign trade to create an increasing outlet for the national production and to assure the speedy and orderly flow of goods and services from the producer to consumer.

2. The Program also outlines necessary fiscal and monetary including foreign exchange and credit policies and measures designed to bring about a fairly rapid overall growth, and effect a gradual structural shift in the economy under conditions of relative monetary stability.

3. The Program includes a plan of manpower development to insure that both the short and long term needs for technical knowledge and trade skills and management capacities are met. Manpower development is recognized as a key to increasing productivity. Based on the principle that a healthy worker is generally an efficient worker, the Program seeks to improve the general health and physical well-being of the population.

4. Because economic and social development is a joint task of the government and the people not only in terms of financial contribution but also of the efforts exerted to implement the basic social objectives the Program provides for essential improvement in public administration and the expansion of community development.

5. The process of development shall be governed by a number of guiding principles which include: (a) that the yearly increases in national income shall go partly to increase capital formation and

partly to increase the consumption standards of the people: (b) that the total level of investment shall continually be increased and directed towards ultimate full employment at a rate that will not disturb monetary stability; (c) that while industrialization shall be the long-term goal, agriculture shall continue to be developed not only to establish a solid base for the country's industrialization but more immediately to effect savings in foreign exchange by producing partly the agricultural products that we now import and to relieve the pressure on the country's international reserve because of the low investment-foreign exchange ratio of agriculture; (d) that there shall be a balance in investments in producer goods and in consumer goods industries; (e) that the public overhead projects should not unduly prejudice investments in the productive sectors; (f) that there shall be a balance between investments in dollar-saving and dollar-earning industries; (g) that as much as possible foreign investments shall be limited to dollar-earning industries which Filipino investors are either unwilling or unable to undertake in view of the drain that so-called dollar saving industries undertaken by foreigners who have to repatriate profits have produced on the economy; and (h) that in the interest of national security it should be mandatory that efforts are taken to reduce to no more than 25 per cent the control of aliens in any essential or strategic productive or distributive industry.

6. As a result of the development program 950,000 workers will, during the three year period of the program, be provided with jobs. The job creation will take care of the yearly increase in the labor force and reduce the backlog of unemployed to 612,000 or only 6.17 per cent of the estimated labor force in 1962. To an undetermined extent underemployment and disguised unemployment will be improved with the greater development of agriculture and cottage and small industries.

7. The Program envisages raising national income (in real terms) from the estimated level of ₱8.7 billion for 1957 to ₱11.2 billion in 1962. With the estimated population in 1962 of 27 million, the real per capita income is expected to be around ₱417.00, or an increase of 11.2 per cent over that of 1957 which is ₱375.00.

Specific Production Goals

8. *Agriculture.* The targets for 1962 envisages the production of 8.9 million tons of food crops which shall provide 84.6 per cent of the national nutritional requirements. Rice and corn output is expected to meet the requirements for these food grains as early as 1959. Animal protein food industries which are given impetus are

expected to yield around 675,500 tons of animal products and 530,000 tons of fish which will raise self-sufficiency by 1962 to 40.9 per cent and 73.0 per cent respectively.

9. The production of export crops will be increased from 3.2 million tons in 1959 to 3.6 million tons in 1962 to support an expanding volume of exports. By that year the country expects to generate about 3 million metric tons of exportable surplus including 1,390,000 tons of copra, 1,100,000 tons of sugar and 160,000 tons of abaca.

10. Log output which is expected to be 2 million board feet by 1962, would be enough to provide raw material for the manufacture of 670 million board feet of lumber and 405 million sq. ft. of plywood and at the same time meet the export requirements to increase the country's foreign exchange earnings.

11. *Manufacturing.* In manufacturing, the 1962 production goals include among others: 166,230 tons of steel and pig iron; 1.8 million bags of cement; 14,150 tons of canned foods; 90,000 tons of flour; 10,800 tons of pulp and paper; 80 million yards of cotton textile and 2.1 million yards of ramie textile.

12. *Mining.* The mineral production program provides among others for the following targets for 1962: gold and silver, 1.6 million ounces; iron ore, 2.7 million tons; copper, 60,000 tons; and chromite ore, 850,000 tons.

13. *Public Works.* To facilitate the movement of farm products and the raw material requirements as well as the products of the factories, the program seeks to increase highway, secondary and feeder roads construction by 6,650 kilometers in order to raise the coverage of our network of roads and highways from 51,200 kilometers in 1958 to approximately 57,850 kilometers.

14. The public works program aims at the expansion of the irrigation system so that approximately 257,000 additional hectares shall be placed under irrigation by 1962. It also envisages the construction of aprroximately 6,600 classrooms to provide for the ever-increasing public school population. There is also envisaged the construction of more hospitals with a capacity of 1,000 beds.

15. To improve water supply, the program plans the construction and improvement of 98 waterworks system, the drilling of 4,200 new artesian wells and the development of 900 springs.

16. *Power.* To meet the increasing power needs for industrial and domestic purposes there is envisaged under the program the increase of the present 420,000 KW of electric power to around 754,000 KW by 1962.

17. *Transportation and Communication.* Aside from the expansion of the highway and road network, the development of transportation provides for the expansion of the Manila Railroad Company to Cagayan; the expansion and the improvement of 16 national ports; construction and improvement of 25 airports; the partial replacement of unserviceable trucks and buses and provision of spare parts for ordinary vehicle depreciation; and the replacement of obsolete interisland vessels to the extent of 26,800 gross tons and the addition of 154,000 gross tonnage to the Philippine Overseas Fleet. The development of communication provides for the expansion of the government telecommunication system with emphasis on service to the rural areas and the normal growth of the private telephone service.

18. *Housing.* The program plans the construction by the People's Homesite and Housing Corporation of 2,100 new low-cost housing units, and of a modest number of privately financed dwelling units in three years.

Financial and Foreign Exchange Requirements

19. The average yearly net outlay to implement the program is ₱1,088 million. This amount represents 10.1 per cent of the average national income for the program period. This outlay will be borne mainly (67 per cent) by the private sector and the balance (33 per cent) will be contributed by the public sector including outlays by the government and public corporatoins.

20. The yearly net outlays for economic and social development are to come from the yearly national income. The government's share of the development outlays will come from the following sources: from government revenues, ₱159 million or 45 per cent; public borrowing, ₱80 million or 22 per cent; reparation, ₱34 million or 9 per cent; foreign aids or grants, ₱44 million or 12 per cent; and other sources, ₱39 million or 11 per cent. The investments of the private sector is expected to come from business savings, issuance of corporate securities, foreign loans and foreign investments.

21. The investment program involves an average yearly foreign exchange outlay of $259 million or 47 per cent of the total average yearly net outlay. That of the total yearly average dollar outlay an average of $69 million will be needed by the government

sector. And the balance of $190 million will finance the capital imports of the private sector.

2. The foreign exchange requirement of the program which is recognized as crucial and a limiting factor in the pattern of development envisioned under the program is expected to come largely from external loans, settlement of Philippine omnibus items against the United States, foreign investments and from savings arising from import substitutes manufacture. On the average, $100 million of loans from the U.S. Export-Import Bank and the U.S. Development Loan Fund is expected yearly. In addition, proceeds from the omnibus claims and loans from private foreign firms on a deferred payment basis, as well as the value of foreign shares in joint ventures is expected to yield an average of $125 million.

23. These additional foreign exchange resources plus a conservative import substitution of $32 million on the average will improve the international reserves by $18 million on the average and raise it to meet the $200 million mark by 1962.

B. Important Recommendations on Policies and Measures

24. The more important aspect of the Program is not the set of goals and the estimated financial and foreign exchange outlays but the policies and measures that are designed to achieve these goals and assure that the resources of the desired magnitudes flow towards the right direction with minimum disturbance of the monetary stability. These policies and measures are, as follows:

Fiscal Policies and Measures

25. *Taxation.* In order to raise revenues from 7.7* per cent in 1957 to about 10 per cent to enable the government to finance its share of the investment program, the Internal Revenue Code should be amended and a special levy or tax of 30 per cent should be imposed on certain types of imports. These measures are expected to raise ₱300 million.

26. *Public borrowing.* Public borrowing through the issuance of bonds shall tap a yearly average of ₱118 million from government financial institutions, including the GSIS, SSS, and DBP; private financial institutions; private individuals and other sources.

27. The proceeds from the issuance of bonds as well as taxes should be used to finance public projects directly productive in na-

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* As a ratio of gross national product.

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ture and those that will provide the facilities to stimulate private productive activities.

Monetary Policy

28. The present methods of selective credit control should be reexamined to the end that these are coordinated with the objectives of the economic and social development program.

29. The legal reserve requirements for all types of deposits should be adjusted upwards in order to minimize the inflationary potential of the banking system.

30. In order to reduce the adverse impact of an expanding money supply on the international reserve, the program recommends that the minimum ratio of the former to the latter should be fixed temporarily at 20 per cent. With this ratio and under he present level of money supply, the international reserve should not be less than $160 million.

31. In general, an integration and coordination of fiscal and monetary policies should operate in such a manner as to assure an ever rising level of production, income and employment while maintaining a relative external and internal monetary stability.

32. As an indicator of price stability, the consumer's price index should be re-examined both as to coverage and applicability to make it a more realistic gauge of price behaviour and therefore a more reliable guide to monetary and fiscal policy.

Foreign Exchange Policies and Measures

33. In order to increase the international exchange of goods the Program provides for the adoption of a multiple reserve system with respect to strong foreign currencies which will mean in effect the conclusion of bilateral trade agreements with appropriate foreign governments for the free exchange of the peso and the foreign currencies concerned.

34. To relieve the pressure that the investment program will have on the country's foreign exchange resources the Program recommends the adoption of a foreign investment policy that will encourage joint Filipino-foreign ventures. For the same reason, the Program recommends the policy of giving priority in the establishment of industries encouraged under the Program to applicants that can procure capital goods and raw materials on a deferred payment

basis associated with the policy that the resulting foreign exchange savings should be fully applied to settle the deferred credits. This latter policy should be applied to settle foreign loans and to repatriate foreign capital in the case of joint ventures.

35. The Program provides for any or a combination of these alternative policies designed to reduce the demand for and increase the supply of foreign exchange and therefore increase the resources available for the importation of the capital goods requirements of the program. These are: (a) an import privilege tax of 30 per cent coupled with an export incentives scheme which would allow the export producers a profit differential of from 10 to 20 per cent of the world market prices; (b) a dollar retention scheme providing that export producers be issued foreign exchange certificates corresponding to 15 to 20 per cent of the foreign exchange earnings from their exports to the United States and 20 to 25 per cent if the exports go to Europe; (c) multiple exchange rates providing for three different rates of exchange including the present 2 to 1, 2.5 to 1 for certain types of exports and imports and a free market rate for specific purposes.

36. The No-Dollar Import Law should be repealed as an incentive to producer-exporters with the adoption of any of the three incentive schemes for the export industries mentioned above.

37. There should be adopted a system of priorities governing the grant of foreign exchange which shall give preference to the strategic industries mentioned in the Program-industries using to a maximum degree domestically produced raw materials; industries with high unused capacity; industries which are relatively labor intensive, subject to certain limitations; industries with a relatively short gestation period; industries that produce essential commodities, and other considerations.

38. The import and export control functions now lodged in the Central Bank should be transferred to a National Authority on Trade and Industry which shall implement the economic policies of the government relating to the promotion, development and protection of private industry and trade.

Agricultural Policies and Measures

39. To attain immediately the goal of self-sufficiency in rice and corn the amount of ₱25 million be appropriated yearly for three years to finance the rice and corn production program to be started in FY 1959. The policy of selling to farmers government purchased

fertilizer at half the cost shall be continued to popularize the practice of fertilization.

40. The Program also recommends the complete banning of rice and corn importation and the adoption of price support program for rice and corn to provide incentives to rice and corn farmers. A floor price of ₱9.00 per cavan of palay and ₱7.50 per cavan of corn shall be adopted under the Program. To enable the NARIC to make substantial purchases, the amount of ₱20 million shall be appropriated to serve as a Guarantee Fund to guarantee loans of the NARIC from financial institutions.

41. The agro-industrial integration of the cotton textile industry calls for the immediate expansion of the cotton growing industry. To provide the necessary incentive a cash subsidy of ₱0.10 per pound of cotton sold is provided under the Program.

42. Rubber growing to meet fully the raw rubber requirements of the local rubber industry is encouraged by the recommendation to eliminate through an amendment of the National Internal Revenue Code the 7 per cent tax on the gross sale of locally produced raw rubber.

43. To increase meat production, the animal population shall be both increased and improved in quality. To accomplish the latter the Program recommends the appropriation of ₱2 million yearly for 3 years for the importation of superior breeds for breeding purposes. Seventy per cent of the animals shall be propagated at the government stock farms and the rest will be sold to livestock raisers. Artificial insemination shall be carried out more extensively to improve the cattle, carabao and the hog population.

44. Fish production shall be stepped up by expanding production in fishponds, fresh water bodies and in the deep seas. To expedite the settlement of conflicting fishpond claims, the Secretary of Agriculture and Natural Resources should create a body with quasi-judicial power to settle claims on the spot. The amount of ₱900,000 should be appropriated for three years to establish fish hatcheries and nursery ponds in rivers and in lakes in various parts of the country. Deep-sea fishing shall be developed with the acquisition of fishing boats, nets and gear valued at ₱4.7 million.

45. Conservation is the central objective of the forestry program. This is to be achieved through a sustained and systematic information campaign, protection of the forests from kaingin-making, squatting and undue destruction; through reforestation, and sus-

tained yield management practices by means of selective logging.

46. The NARRA should accelerate land settlement of properly selected areas by qualified farmers through the establishment of an agricultural colony every year for three years with the assistance limited to the provision of farm-to-market roads, schools, health centers and community buildings and with priority given to the selection of settlers to graduates of agricultural schools and colleges. Unlike the present practice, NARRA should not give any subsistence to settlers.

47. To expand rural credit the amount of ₱20 million shall be appropriated yearly for 3 years for the purpose of guaranteeing ACCFA's borrowings from financial institutions.

Industrial Policies and Measures

48. The immediate implementation of basic and highly essential projects should be supported by the Central Bank's allocation of the necessary foreign exchange resources and peso credit by the Development Bank of the Philippines. These projects include steel, spare parts, simple metal manufacture, basic chemicals, cotton and ramie textile, pulp and paper, fertilizer, brick carving, copper and iron mining, and such other industries as may be determined from time to time by the National Economic Council.

49. The allocation of foreign exchange should give next priority to essential industries which with their present allocation could not procure enough raw materials to permit operation to the extent of a least 75 per cent of the rated capacity. Dollar allocation for the other industries may be maintained at present levels which may be reduced, if necessary.

50. The allocation of foreign exchange and credit for other industries not specifically recommended by the NEC shall be made in accordance with the industrial priorities formula.

51. Irrespective of whether or not the raw material requirements of an industry now dependent on imported raw materials can be produced in the future, all projects should be disallowed foreign exchange allocation if the dollar remittance for raw materials and profits exceeds the cost of the corresponding finished articles.

52. Foreign investments in manufacturing and mining should be encouraged on a joint venture basis where there are no Filipino investors who possess or can import the technological know-how for

the industries that are considered desirable and are being fostered.

53. Both as a means of increasing the national production and relieving unemployment and underemployment, promising cottage industries must be developed through a program of training, production of standardized and improved quality products, and improvement of marketing methods including financial assistance for both production and marketing.

Foreign trade and investment policies and measures.

54. Continuing efforts should be exerted to expand the volume and value of Philippine exports and to diversify the direction of international trade compatible with its stability and the objective of getting the most advantageous terms.

The organization and staffing of our foreign service engaged in trade promotion and protection should be improved by a reformulation of the trade promotion program, the creation of an Inter-Departmental Committee on Foreign Trade Promotion, appointment of best qualified commercial attaches and an inservice training for those already in the job.

55. Any governmental policy in foreign trade that is adopted in order to take advantage of regional economic arrangements such as the European payments claim or economic development in other parts of the world, or in order to offset the possible harmful effects of these developments on our trade should not sacrifice the interest of trade stability for temporary or short-lived advantages that may be gained from such action.

56. Foreign investments should be attracted but foreign loans should be preferred to minimize the drain on the foreign exchange resources. In the case of direct investments these should be limited to dollar-earning industries that make use of at least 75 per cent domestically produced raw materials with preference given to such applicant firms which will bring in machinery subject to capital repatriation as soon as the firms shall have earned foreign exchange through the exportation of their products.

57. Export industries as may more or less be adversely affected by the Laurel-Langley agreement should be extended such assistance as will enable these industries to maintain at least the level of their foreign exchange earnings for the country. The assistance shall be in the form already discussed under the foreign exchange policy

section of this Summary. Additional assistance shall consist of the preferential grant of foreign exchange for the importation of essential productive equipment for use by these industries.

Domestic Trade Development

58. To the extent permitted by their charters, the various corporations organized to assist the development of various agricultural industries should undertake immediately to improve the marketing of agricultural products, to accelerate the distribution and assure the best possible prices for farm products without resulting in high prices for the consumers or in unduly raising prices of exports. The assistance will be in the form of cooperative marketing supported by credit.

59. The commodity import and distribution activities of NAMARCO should be maintained and, if necessary expanded but steps should be gradually taken to transfer importation and wholesale distribution to cooperatives composed of legitimate Filipino businessmen who will in turn supply legitimate Filipino retailers or FACOMAS or both.

Tourism

60. To promote tourism, historical spots and points of scenic beauty particularly Tagaytay City and areas along Taal Lake must be developed. Similarly, a portion of the Walled City must be conserved for its historical value, the Death March trail marked out, and other points of interest developed. The sum of ₱3 million recommended for appropriation for the development of tourist spots, include ₱1 million for the development of Tagaytay City and adjacent areas. The balance will be spent for other projects to be determined by a Tourist Resort Development Committee to be appointed by the President.

Public overhead project development policies and measures

61. *Overseas shipping.* Cost considerations should not deter the gradual and steady building up of our overseas shipping industry by Filipino shipping operators in order to reduce to the minimum foreign exchange payments for the transportation of our exports and imports. In this connection appropriate amendments should be made to the Philippine Overseas Shipping Act of 1955 so that shipping loans should be increased from 75 to 90 per cent of the cost of the vessel. Furthermore, the National Shipyard and Steel Corporation

should expand its training program for shipbuilding, engineering, and trade skill development.

62. *Power and transportation development.* Power and transportation development must keep pace with the requirements of the industrialization program. Power development because of its cost must first be geared to the needs of industry and later, to an increasing degree, for domestic uses. The importation of luxurious cars should be discouraged through the imposition of higher taxes. Available foreign exchange should be used for critical vehicle spare parts and the replacement of unserviceable trucks and buses with diesel power units.

63. *Residential construction.* Construction should be moderately reduced because of its inflationary effect. The building of luxurious mansions shall be discouraged. Industrial and commercial buildings shall be constructed with utmost economy because of their inflationary effect and their drain on the foreign exchange resources. GSIS loans for residential construction should be limited to a maximum of ₱10,000 per borrower.

Social development policies and measures

64. *Education.* Among other points, the Program recommends the provision of facilities for 350,000 children of school age during the 3-year period of the Program; the training of 500 science teachers; the establishment of 6 agricultural schools; improvement of trade school facilities; establishment of a graduate program in the College of Engineering, University of the Philippines; and the encouragement of endowments in favor of university education to improve facilities for research and scientific investigations.

65. *Health.* The Program recommends the expansion and improvement of facilities for basic research in medicine and to intensify the production of sera and vaccines; the assignment of more nurses and midwives to the Rural Health Units; and the expansion of potable and safe water supply facilities for the rural areas.

66. *Manpower development.* To develop industrial and manage-

ment skills to meet the demands of the Program, it is recommended that vocational industrial training in specific industries be initiated and the IDC-Management Training Program to upgrade top supervisors in industry be maintained.

67. *Community development.* To stimulate increasing participation of local citizens in community development, the Program recommends the maintenance of the present community development program under the Presidential Assistance on Community Development by providing for continuing assistance particularly in materials and equipment needed for community development projects and the acceleration of the research program on the subject and the evaluation of the present program as a basis for future approach in local community planning.

68. *Public Administration.* The important recommendations in this field include the safeguarding of the independence of the Bureaus of Civil Service, Customs and Internal Revenue from political interference by fixing through legislation the tenure of office of their heads; prohibition of lobbying by pressure groups and the prohibition of legislators and responsible executive officials from making any representations for the grant of any priviliges in favor of private parties; more strict enforcement of laws against the giving and acceptance of gifts as a consideration for official favors; and the integration of all the legal measures designed to prevent graft and corruption and the organization of a machinery which will curtail all forms of dishonesty on the part of public officials and employees and expedite action on all cases of irregularity.

Implementation of Program

69. To assist the President in the cordination and supervision of the overall economic program and assure that the respective roles of the various agencies are adequately carried out and problems are readily recognized and remedied, the Chairman of the National Economic Council must be designated as an Executive Officer for Economic Development Coordination, pending the approval of an overall implementing agency for the Program.

70. In order that the public and the entire government engaged

in implementing the national economic and social development program get a definite idea of the direction of the overall development efforts and the general conditions under which such efforts are to be made by the people as reflected by government policies related to the Program, the administration should adopt this Program in principle immediately.

Chapter 2

NATURE OF THE PROGRAM

A. Program in Essence and Its Objectives

1. This three-year program of economic and social development represents a pattern of action in answer to the challenge of raising the standards of living for the masses of the Filipino people. It is part of a long-range program to improve real income and insure for our people a life that is both materially and spiritually satisfying.

2. The process of bringing about economic progress under our conditions is essentially one of accelerating capital formation, improving the knowledge and skills of the people as productive agents and utilizing more technology. The task will involve the elimination of the imperfections of the market, which have served as one of the obstacles to optimum resources allocation and will call for necessary improvements in economic organizations designed to overcome shortage in capital, skills and technology; all these economic changes are sought to be made without disregarding but not necessarily accepting the existing political, social, cultural, and religious values and motivations.

The development process will be effected within the framework of existing culture patterns. Desirable changes in political and social institutions will be sought through education, demonstration and legislation when such are inimical to the requirements of a rapid economic development. Under the Program, however, care will be taken that public policy and action do not upset drastically the existing non-economic value patterns lest the social gains in economic terms will be negated by the costs in non-economic terms.

3. More concretely, the program outlines the efforts at development to be undertaken including their magnitude and objectives, the order of benefits that will result therefrom, the means by which the resources may be mobilized, the methods and techniques by which each project is to be implemented. It also provides for the policies designed to influence the magnitude and direction of resources utilization and to bring about the general conditions favorable to development.

B. Accelerating Capital Formation

4. *Goals for increasing income and employment.* A people's level of living is best indicated by the income per capita. For the

Philippines this has been estimated in 1957 to be P375. Specifically one objective of the Program is to maintain the annual growth in real income by two to three per cent such that the level shall attain approximately P417 by 1962.

5. The Program also aims at reducing unemployment and underemployment. It is estimated that in 1957 a total of 668,000* or about 7.65 per cent of the labor force of 8.73* million was unemployed; and that 1.6 million workers or 18 per cent of the labor force was unemployed (668,000) and visibly underemployed (976,000)*.

By comparison with other underdeveloped countries, the extent of unemployment in the Philippines is not high; the real problem lies in the degree of underemployment and disguised unemployment. Idle manpower which does not only represent a needless waste in human resources but also affects social stability will be minimized under the Program.

6. The problems of low income and of unemployment in underdeveloped countries arise generally from inadequate investment or low capital formation. For the Philippines, the average yearly gross investment from 1950 to 1957 is estimated to be 9.8 per cent of the gross national product. This has yielded an additional output of 5 to 6 per cent which is more than what can take care of the increase in population estimated at 2.9 per cent annually.

The levels of investment in the Philippines as compared with those of other Asian countries that are also pursuing a deliberate development program are as follows: Japan, 27.4 per cent; India, 9.7 per cent; Burma, 17.6 per cent; and the Philippines, as indicated above, 9.8 per cent.** It should perhaps be desirable that in order to accelerate the increase in national output and absorb to a greater measure the unemployed and underemployed labor force, investment in relation to total national product be stepped-up immediately.

7. *Investment cannot be unlimited.* However, the rate of investment can only be increased gradually in view of two important considerations. First, a rate in investment much higher than the present level cannot possibly be sustained by our foreign exchange resources. Second, a rate of investment that is radically higher than what we have been able to maintain will call for a sacrifice

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* Average of survey of March, May and October, 1957

** The figure for Japan is the average for the period from 1950 to 1956; for India, 1950 to 1953; and for Burma, 1950 to 1957.

in consumption levels to an extent that may not be politically sustainable. It must be emphasized that although it is desirable that a condition of full employment be attained in the shortest possible period of time, it would be unrealistic to set that as an objective within the next three years without disrupting the economy.

8. *Demand of growth above monetary stability.* On the other hand, the fear of endangering the external stability of the peso at this time when the international reserve is low, and the fear of further inflation should not cause a decision to retrench in total spending for economic development. Such a step would be disastrous because it will aggravate unemployment and underemployment and will result in a reduction in income per capita. Such a decision will place the requirements of monetary stability above the more paramount objectives of economic growth, and the establishment of social and political equilibrium. Thus, the Program provides for an increase in gross domestic investment associated by a shift in the structure of spending in favor of directly productive dollar-earning and saving projects. Such an investment program is calculated both to raise employment and income and at the same time improve our foreign exchange position.

C. Expansion of Agriculture

9. The increase in overall investment could be absorbed by agriculture without endangering the country's foreign exchange position. The relative emphasis in agriculture under the Program is in fact a temporary solution to the problem of increasing the magnitude of investment without inflation or without increasing the pressure on the international reserve. This is possible because: (a) the country still imports foodstuffs which can be produced locally, (b) some exports such as copra and abaca can be expanded and additional output can be absorbed abroad, (c) there are available land and labor resources for increasing production, and (d) the gestation period of the agricultural food crops industries is relatively short. As a long-range objective, agricultural development will continue to receive a large share of the resources for development to insure an adequate food supply, meet the raw material requirements of industry, and expand the agricultural export production to increase foreign exchange earnings with which to pay for the increasing capital goods imports required by the development program.

D. Industrialization is Long-Range Goal

10. Based on the national income pattern in 1948, a structural

shift in the development of the economy has taken place in favor of the manufacturing industry. The shift towards industrialization is inevitable because our foreign exchange earnings can no longer sustain the increasing requirements for manufactured goods incident to fast rising standards induced by the demonstration effect of Western ways of living. On a long-run basis industrialization should be the central objective of economic policy not merely because it is advantageous in the short run to diversify production but also because only through industrialization can we insure the strength and stability of the economy.

1. *Balance between dollar-saving and dollar-earning industries.* To insure that the balance of payments position will not continue to be unfavorable and thereby deplete further the country's international reserve, increasing efforts should be exerted to develop the dollar-earning industries such as steel, basic chemicals, fertilizer, pulp and paper, textile, food processing including wheat flour milling. At the same time an intensive program to increase the production of the country's principal exports such as copra, abaca and tobacco should be undertaken. The advantages of export crop expansion are that the necessary investments call for relatively small foreign exchange resources and production methods are already well-known. However, the disadvantage of relying on a few primary exports such as we have is that the proceeds are uncertain and no longer adequate to meet the increasing requirements of capital formation. On the other hand, while dollar-saving industries or the production of certain import substitutes can count on a sure market, the foreign exchange requirements for the corresponding projects are high. Hence, the program provides for a balanced combination of dollar-earning and dollar-saving industries consistent with the requirements of both monetary stability and economic growth.

12. *Limit to dollar-saving manufacturing industries.* It is high time that we completely liberate ourselves from the notion that it is wrong to go into the industrial production of goods which can be imported at a lower price from abroad than we could make them. In the first place, the matter of absolute price advantage may be favorable for us if the over-valuation of the peso is considered. In the second place, even if the price advantage is against us, it would still be socially and economically beneficial to undertake the manufacture of certain goods if it is possible thereby to make use of labor and raw materials that would otherwise remain idle. However, this does not mean that the country, in its effort to save foreign exchange, should attempt to manufacture everything that is imported. For the time being the establishment of dollar-saving industries will

be limited to the manufacture of basic producer goods and essential consumer goods from raw materials which are locally produced or can, with reasonable expectation, be produced and where the domestic market for these manufactured goods is reasonably large.

13. *Producer vs. consumer goods industries.* — In the short run a development program which provides for an unduly high percentage of expenditures for the production of producer goods to the sacrifice of consumer goods can impose difficulties on the average consumer. For instance, although it would perhaps be desirable that electricity, steel, cement, basic chemical production and irrigation were given a large share of the resources available for development, such a step could not be taken without draining away the resources which will be needed to produce essential consumer goods such as textile, food, paper and similar goods and bring about thereby an increase in prices of such consumer goods. It is therefore necessary to influence the pattern of production so that real standards of living are protected while serving the requirements of capital formation.

E. Social Overhead in Relation to Productive Projects

14. The Program equally reflects recognition of the need for balancing social overhead projects such as public works, housing, and social development with the directly productive projects in agriculture, manufacturing and mining. In highly productive countries, social overhead projects are, in appropriate periods, undertaken as anti-deflationary measures. However, in underdeveloped countries like the Philippines where supply arising from domestic production cannot be raised easily to fill the demand that will certainly increase with growth in spending (because productive capacity is low and export proceeds are inadequate) an unduly high proportion of social overhead projects is inflationary. On this principle it is economically prudent to limit public works and unproductive projects. It is for the same reason that real estate investment or housing projects should be regulated.

F. Role of Government

15. In seeking to bring about economic and social progress the program adopts an approach that takes cognizance of the existing economic order. Ours is basically a free enterprise economy and, therefore, the Program provides that the effort to bring about economic development is undertaken primarily by the private sector. The government would limit itself in its share of the physical projects to: (a) some basic projects which the private sector is either

unwilling or unable to undertake, (b) social overhead projects including public works and utilities, (c) education, research and surveys, industrial assistance, extension, and public health and social welfare measures, and (d) all other services related to economic development.

16. Private enterprise will operate relatively free from restraints and controls such as are characteristic of dictatorial and socialistic economies. It must, however, be subject to necessary regulations which will result in the optimum utilization of scarce resources, in an orderly functioning of the economy, in protecting the interest of the majority against those of the few, and in bringing about a sound, basic and lasting economic foundation for the country.

G. Public Policy Affecting Private Sector

17. *Monetary, credit and foreign exchange policy.* — These restraints and restrictions which may be applied on private enterprise arise from the adoption of necessary monetary, credit and foreign exchange, fiscal and other policies. Thus, for instance, a change in the reserve requirements of banking system may serve to limit credit to the businessman; a change in the direction of bank lending in favor of agriculture and manufacturing may affect private investors in real estate; and dollar allocation that is being undertaken to insure the optimum utilization of scarce foreign exchange resources may adversely affect industries considered of less importance to the economy.

18. *Fiscal Policy.* — Similarly, new or increased taxes on business may affect private enterprise although, in appropriate cases, the government approves subsidy programs such as the tax exemption law which in effect, is a financial subsidy for new and necessary industries. Taxation may reduce the incentive to invest, but at the same time its necessity must be recognized for unless the government imposes taxes it cannot possibly finance essential services some of which are directly beneficial to industry.

19. *Foreign private investment policy.* — As a general policy, the government, aware of the role that foreign private investment can play in accelerating the country's economic development, encourages under this Program foreign investments. Some of the conditions under which foreign investment may be pursued in this country particularly those regarding capital repatriation and profits remittance rae covered by existing Central Bank regulations. With respect to the fields in which such foreign investments may

be made the Constitution has prescribed the limitations. The restrictions and limitations imposed on foreign investments should be understood in the light of the more paramount objective of protecting the economic interest of the counry and of insuring that Philippine nationals enjoy the substantial benefits accruing from economic activities conducted within the country. In this connection, the undue alien control of our economy in various sectors particularly in the import, wholesale, and retail trade and recently in the manufacturing industry, should be viewed with serious concern and care should be taken to avoid strengthening further, through our own decisions, the aliens' stranglehold in these areas of economic activities. From the economic point of view any monopolistic control impairs production and affect the real levels of living of the people; and when this control is exercised by aliens, it is especially dangerous to the national security. Regardless of our desire as a member of the internationaly family of nations to maintain a harmonious relation with foreigners and notwithstanding our policy to achieve a speedy development with the aid of foreign capital, our first concern should be the protection of our legitimate interests. Our public policy should be such that the right of our citizens to enjoy the benefits of the national patrimony by preserved. This should be the guiding principle in foreign private investment.

20. *Reparations policy.* — The main philosophy of the reparations program is to use it as an instrument to help build the economy. In connection with the development of the economic program we have confirmed this policy by prescribing a system of priority in the utilization of the reparations goods. Furthermore, we would like to see to it that any payment made under the reparations program is utilized to the best advantage. These policies will not therefore permit any attempt on the part of a businessman in the exercise of the freedom of enterprise to procure and utilize reparations goods under the program, as will suit his interest.

H. Management Implications

21. The management requirement of a national economic development program is necessarily great and it will be the first task of the government to set up the machinery in terms of organizational agencies, personnel, and system of coordination that would be needed to supervise the implementation of the entire Program. It may be conducive to a more effective management of the Program that a division of rsponsibilities among various agencies in the national government and a decentralization involving the various levels of government be effected.

The absence of coordination among the various agencies that have to do with the implementation of important economic development projects is too well-known to be ignored. The first concern therefore in improving the public management of the program is to evolve a workable system of coordination among these various agencies. Similarly, the various departments of the government need develop planning offices which will coordinate closely with the technical staff of the National Economic Council in connection with development programs which are being supervised by these departments. As indicated elsewhere in this Program there is need for building up the personnel not only in terms of technical and administrative competence but in attitudes and morality to ensure the success of the Program.

To the extent that is possible, the local government should be brought into the total management picture. The involvement of local leadership will not only result in stimulating the interest of local leaders but will also make use of leadership talents at all levels.

As conceived, the Program represents the sum total of the development efforts not only of the Government and the industrialists and big businessmen but also of the small men in the rural communities; in fact, the effort of every citizen. The base of development shall be widened at grass-roots level with the partictipation of the people in local communities or the barrios, and in this way not only moral support for but also actual effort towards development shall be maximized.

I) Public Participation

22. It must be made plain at the outset that in attaining the objectives of this program the people may have to give up part of the present comforts or even forego temporarily improvements in present levels of living. Saving is a prerequisite to capital formation. This means that the social outlays for consumption have to be reduced in order to increase savings for raising the country's productive capacity. The extent of the savings or the degree of sacrifice to be made is reflected by the difference between the investment in 1960 and 1957. The masses cannot perhaps be relied upon to contribute much in the savings in view of their already low levels of living but the more substantial sections of the society can certainly forego temporarily some of their luxuries in order that resources which would otherwise satisfy the requirements of luxurious living are utilized for increasing the country's productive capacity. The Program, in effect, compels a decision on the part of the people to retrench, perhaps within the next decade or two, on consumption expenditures in return for a more productive and prosperous economic future. This is the essence of austerity.

Chapter 3

FINANCE AND FOREIGN EXCHANGE

A. Approach to the Formulation of the Economic and Social Development Program

The general model around which the economic and social development program is built is the simple aggregative economic growth model.

While this simple model is not the only approach to the formulation of a development program, existing statistical data and technical know-how greatly limit the use of the inter-industry (input-output) model. The use of the employment approach is neither feasible for the same reasons.

In analytical terms, the model considers three determining economic variables, namely: the rate of savings of the country (capital formation or investment) ; the capital output ratio (amount of capital necessary to generate a peso of output) and the rate of growth of the population. Given therefore the capital output ratio and the rate of population growth, the rate of economic growth possible depends upon the level of savings and investment that the country is able to undertake and absorb.

Thus, in the proposed development program, gross capital formation is estimated at 12.5 per cent on the average for the three year period; the capital output ratio, gross, is 2.2:1 and net, is 1.8:1 during the program period; and the rate of population increase is a constant 3.4 per cent.

B. Proposed Levels of Gross National Output and Income and Pattern of National Expenditures

The following are the proposed levels of gross national output and income as well as the pattern of national expenditures for the program period.

GROSS NATIONAL PRODUCT, INCOME, INVESTMENT AND GOVERNMENT EXPENDITURES 1/

FY 1960 - 1962

(Million Pesos)

	1957	1959	1960	1961	1962	Total 1960-1962
Gross National Product:	9,708	10,611	11,237	11,900	12,602	35,739
Gross Domestic Investment: ..	865	1,209	1,392	1,462	1,628	4,482
Private	580	859	1,040	1,107	1,268	3,415
Public	285	350	352	355	360	1,067
National Income:	8,731	9,518	10,060	10,633	11,260	31,953
Net Domestic Investment: ...	582	869	1,021	1,058	1,187	3,266
Private	297	519	669	703	827	2,199
Public	285	350	352	355	360	1,067
Consumption Expenditures: ..	8,386	8,850	9,186	9,741	10,183	29,110
Total Gov't Expenditures: ..	1,138	1,216	1,295	1,336	1,391	4,022
Public Investment	285	350	352	355	360	1,067
Current Expenditures ..	853	866	943	981	1,031	2,955
						Average 1960-1962
Gross Domestic Investment as per cent of GNP	8.9	11.3	12.3	12.3	12.9	12.5
Net Domestic Investment as per cent of NI	6.7	9.1	10.0	10.0	10.5	10.1
Total Government Expenditure as per cent of GNP	11.7	11.5	11.5	11.2	11.0	11.2
Public Investment as per cent of Total Gov't. Expenditures	25.0	28.8	27.2	26.5	25.9	26.5
Capital Output Ratio:						
Gross	2.3	2.3	2.2	2.2	2.3	2.2
Net (ICOR)	1.1	1.9	1.9	1.8	1.9	1.8
Real Per Capita Income (Pesos)	375	385	396	406	417	406
Estimated population (in millions)	23.3	24.7	25.4	26.2	27.0	26.2

On the basis of the above anticipated levels of national output and income, and of consumption, savings and investments the rate of growth of per capita real income are as follows:

	1957	1959	1960	1961	1962
Real Per Capita	**P375**	**P385**	**P396**	**P406**	**P417**

The over-all investment program reflects the broad magnitudes of the financial resources needed for the implementation of the eco-

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1/ At 1949 Prices or constant purchasing power.

nomic and social development program and the important policy issues involved in the mobilization of these resources. Broadly, it is composed of two parts; the first covers the domestic financial requirements and the second part indicates the levels of the foreign exchange components of the program.

OVERALL FINANCIAL REQUIREMENTS OF THE ECONOMIC AND SOCIAL DEVELOPMENT PROGRAM
FY 1960 - 1962
(Million Pesos)

	1960			1961			1962			Total 1960-1962		
Sector	*Total*	*Public*	*Private*	*Total*	*Public*	*Private*	*Total*	*Public*	*Private*	*Total*	*Public*	*Private*
Agriculture 1/	136.3	73.0	63.3	133.5	54.0	79.5	146.6	53.0	93.6	416.4	180.0	236.4
Mining 2/	39.7	7.0	32.7	56.5	8.0	48.5	69.0	8.0	61.0	165.2	23.0	142.2
Manufacturing 3/	258.8	59.6	199.2	277.9	75.8	202.1	308.4	70.0	238.4	845.1	205.4	639.7
Construction 4/	429.3	176.3	253.0	437.3	176.3	261.0	452.5	178.5	274.0	1,319.1	531.1	788.0
Trans. & Communication	106.3	27.1	79.2	115.8	25.2	90.6	119.2	26.2	93.0	341.3	78.5	262.8
Others including trade and government 5/	189.2	87.6	101.6	175.4	94.1	81.3	226.3	99.3	127.0	590.9	281.0	309.9
TOTAL	1,159.6	430.6	729.0	1,196.4	433.4	763.0	1,322.0	435.0	887.0	3,678.0	1,299.0	2,379.0

One of, if not the most important and central problems of accelerated economic development is capital. The pace of economic growth that occurs in a country is largely determined by the aggregate amount of savings that the country is able to appropriate from its current income and which it invests in productive activities through new additions to the nation's stock of capital goods. In more developed countries like the United States and Japan, and in a few underdeveloped countries like Ceylon, the rate of capital formation ranges from 10 to 20 per cent while in most underdeveloped countries like Indonesia, India and the Philippines this rate ranges from only 5 to less than 10 per cent.

1/ Includes the following current outlays: ₱11 M for 1960, 1961 and 1962.
2/ Includes the following current outlays: ₱7 M for 1960 and ₱8 M for 1961-62.
3/ Includes the following current outlays: ₱3.2 M for 1960; and ₱4.4 M for 1961; ₱4.3 M for 1962.
4/ Includes ₱60 M each for repairs and alterations.
5/ Includes the following current outlays: ₱57.4 M for 1960; ₱55.0 M for 1961; ₱51.7 M for 1962.

The average rate of growth of gross national output and income of the Philippines during the period 1949-1957 is about 5.9 per cent.[1] This growth figure reflects the capacity of the country to grow and its ability to save and to utilize these savings for productive activities. The average rate of growth of national income during the same period is 5.8 per cent.

One significant aspect of the rate of growth of the national income during this period is its degree of fluctuations. The rate has varied widely from the highest level of 10.7 per cent in 1953 and the lowest level of about 1.1 per cent in 1951. The levels of growth and investment anticipated in the Program aim at stabilizing these levels at rates conducive to sustained and self-reenforcing development.

One of the major objectives of the economic and social development program is to stimulate movement of the nation's resources to more productive activities by bringing about the desired changes in the structure of production of the economy. The manufacturing and mining sectors will in a moderate way increase their relative contribution to the country's total output and income.

The nature and scope of the structural changes (change in the pattern of production) that will take place are indicated in the following table:

RELATIVE CONTRIBUTION OF THE DIFFERENT SECTORS TO NATIONAL OUTPUT AND INCOME
FY 1960 - 1962
(In Percentages)

Economic Sector	1957	1960	1961	1962
Agriculture	37.8	39.0	39.0	39.0
Manufacturing	14.0	15.0	15.5	16.0
Mining	1.9	2.0	2.1	2.2
Construction	3.5	3.3	3.2	3.2
Transportation & Communication	3.5	3.7	3.8	3.9
All others including trade and government	39.3	37.0	36.4	35.7
	100.0	100.0	100.0	100.0

The structural change anticipated during the program period is very gradual and will not therefore unduly strain any sector of the economy. Manufacturing shall increase its contribution to the nation's total output and income by .5 per cent during each year or about 1.5 per cent over the period. Mining will also contribute more, from 2.0 per cent in 1960 to 2.1 per cent in 1961 and 2.2 per cent in 1962.

Agriculture will increase its contribution from its 1957 level to 39.0 per cent in 1960, and maintain that rate through 1961 and

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[1] In terms of 1949 purchasing power.

1962. The objective of increased sufficiency in food crops and increased production of technical crops for industrial processing account for the desired increase in the contribution of the agricultural sector.

Transportation and communication will increase its share of national income very moderately, from 3.7 per cent in 1960 to 3.9 per cent in 1962. Construction will decrease but very moderately from 3.3 per cent in 1960 to 3.2 per cent in 1962. Investments in residential construction of the luxurious and speculative types will be discouraged so as to make the resources which are normally utilized by these activities available for directly productive enterprises. The other sectors of the economy like trade and services will decrease moderately their contribution to national income as resources from these sectors are redirected to the more productive and desirable areas of economic activity such as manufacturing, mining, agriculture, transportation and communication.

Higher but sustainable levels of real output, employment and income is the basic objective of the investment program. The levels of aggregate gross investment envisioned ranges from 12.3 per cent of total national output in 1960, the first year of the program period to 12.9 per cent in 1962. Expressed in terms of net domestic investment (gross domestic investment minus depreciation), as a ratio of national income, the rate for 1960 is 10.0 per cent gradually increasing to 10.5 per cent in 1962 or an average of 10.1 per cent for the period. It is believed that these anticipated levels of aggregate net investment are highly sustainable, and would not impose undue difficulties on the part of the population.

The investment program is divided into two categories; public investment corresponding to the government sector and private investment, to the private sector. The public investment portion of the program involves government outlays for economic overhead projects such as irrigation systems, highways, public schools, hospitals, etc. and investments in a few directly productive projects which private enterprise is neither willing nor able to undertake, such as the establishment of the NASSCO steel mills and shipyards and power projects.

The private investment program covers private outlays for the establishment of desirable productive enterprises which the government would encourage private entrepreneurs to undertake during the period, by providing them the environment and incentives that will make such investments economically feasible. It is expected, for instance, that a good portion of private financial resources will be channeled to the integration of the textile industry, the expansion and establishment of pulp and paper plants, the manufacture of cement, glass and ceramics, wheat flour, relatively simple agricultural tools and implements and food canning and processing. These are essentially some of the considered more strategic areas of industrial development which need to be developed and promoted during the program period.

C. The Public Investment Program

The public investment program involves outlays of ₱352 million, ₱355 million and ₱360 million for each of the years of the period 1960-1962. This implies a very moderate yearly growth of public investment during the period. Total public investment for the period amounts to ₱1067 million, or an average yearly outlay of ₱356 million.

The scheme of financing proposed for the public investment portion of the program shall be along the lines of more sound public finance indicated in the fiscal policy recommendations.

The sources of financing for the three year period of the program (1960-1962) shall be as follows:

(Million Pesos)

Source	1960		1961		1962		*Total* 1960-1962	
1. Gov't. Revenues ..	₱168.0		₱162.0		₱147.0		₱477.0	
2. Public borrowing:								
GSIS, SSS, Private	60.0	70.0	65.0	80.0	70.0	90.0	195.0	240.0
Individuals, etc. ...	10.0		15.0		20.0		45.0	
3. Reparations		30.0		34.0		38.0		102.0
4. Foreign Aids & Grants		52.0		43.0		37.0		132.0
5. Others		32.0		36.0		48.0		116.0
Total		₱352.0		₱355.0		₱360.0		₱1,067.0

The bulk of the resources, about 48 per cent, required for the financing of the public investment for the first year of the program, (1960) shall come from existing government income and from additional revenues that will be raised with the adoption of the fiscal measures recommended. About ₱168 million is expected from these sources. Amendments to the pertinent provisions of the National Internal Revenue Code would amount to about ₱100 million. The additional revenue that will be raised by the imposition of the export levy on certain types of exports is estimated at ₱5 million.

The philosophy is that public outlays for additional current operating expenditures and to some extent for the public investment program should normally be financed from government revenues. This is necessary if undue inflationary pressures are to be minimized.

The public capital investment program is proposed to be financed to a reasonable extent from public borrowing. Unlike in the past, however, public borrowing shall be limited to tapping the resources of the government financial institutions (GSIS & SSS) through their provident funds and the savings of private individuals and organizations.

A complementary measure is proposed to develop the market for government securities. The development of the market for government securities will greatly assist in mobilizing the savings of the public and the financing of development in a non-inflationary manner. The magnitude of resources sought to be tapped from this source will be in the order of ₱80 million, on the average, during the period.

Reparations, foreign grants and aids and loans will constitute other sources for the financing of the public sector. While it is extremely difficult to estimate the amount of resources that may be forthcoming from foreign aids and grants and loans, about ₱45 million appears realistic in the light of past experiences.

No definite provisions have been made for government deficit financing or the creation of new money by the government. It is however, recognized that a reasonable amount of financing of this type may have to be resorted to if it will help realize the savings which are sought to be tapped for the program. To ensure against its indiscriminate use, a proposed ceiling of from ₱30-50 million as the permissible levels may be undertaken in any year. Moreover, only productive projects shall be financed from this source. This level of deficit financing is believed to be safe in view of the fact that whatever increase may result in the money supply from such financing would merely offset the hoarding that normally occurs, not to mention the increased monetary requirements of a growing economy.

THE PUBLIC FINANCIAL PROGRAM
FY 1960 - 1962
(Million Pesos)

	1960			1961		
Sector	*Total*	*Capital*	*Current*	*Total*	*Capital*	*Current*
Agriculture	73.0	62.0	11.0	54.0	43.0	11.0
Mining	7.0	—	7.0	8.0	—	8.0
Manufacturing	59.6	56.4	3.2	75.8	71.4	4.4
Construction	176.3	176.3	—	176.3	176.3	—
Trans. & Comm.	27.1	27.1	—	25.2	25.2	—
Others including trade & government	87.6	30.2	57.4	94.1	39.1	55.0
TOTALS	430.6	352.0	78.6	433.4	355.0	78.4

	1962			Total 1960-1962		
Sector	*Total*	*Capital*	*Current*	*Total*	*Capital*	*Current*
Agriculture	53.0	42.0	11.0	180.0	147.0	33.0
Mining	8.0	—	8.0	23.0	—	23.0
Manufacturing	70.0	65.7	4.3	205.4	193.5	11.9
Construction	178.5	178.5	—	531.1	531.1	—
Trans. & Comm.	26.2	26.2	—	78.5	78.5	—
Others including trade & government	99.3	47.6	51.7	281.0	116.9	164.1
TOTALS	435.0	360.0	75.0	1,299.0	1,067.0	232.0

D. Investment for the Private Sector

The total investment program anticipates net private investment of the levels of P669 million, P703 million and P827 million for 1960, 1961 and 1962, respectively, or an average of P733 million during the three year period. In view of the private enterprise nature of the country's economy, private net investment represents about 65 pr cent in 1960, 66 per cent in 1961 and 69 per cent in 1962 of the total net investment program, both public and private. This means an investment ratio of (private to public) 65:35 66:34 and 69:31 in 1960, 1961 and 1962, respectively. On the basis of gross domestic investment, the ratios of private to total investment are 75 per cent for 1960-1961 and 78 per cent for 1962. The levels of private gross investment proposed in the Program averages a rate of increase of 14 per cent over the program period. This is highly attainable judging from the performance of the economy during the last ten years.

The principal source of savings for the private investment aspect of the Program shall be the ploughed back earnings of private business. The bulk of investment for the private sector is expected to come from this source. Existing industrial, commercial and trade enterprises are expected to react favorably to incentives which the government will provide to stimulate the maximum participation of private enterprise in the development effort by reinvesting their profits for the expansion or the establishment of new productive ventures.

Individual private savings is expected to provide part of the financial requirements of the private sector. The market for private securities will be developed to the fullest extent possible with the assistance of the incentives provided by public economic policies and the initiation of a national savings campaign.

A reasonable portion of the financial resources that will become available to private enterprises will come from the flow of public and private foreign investments into the country. Foreign private investments in the form of joint ventures and loans are expected to contribute to the financing of the needs of domestic private enterprise. The enactment of a foreign investment law defining the policy of the government with respect to foreign investment as proposed elsewhere in this Program is designed to ensure the flow of resources from this source. It is recognized as a matter of public policy that foreign investment is desirable at this stage of the country's development in so far as they are in accord with existing policies.

The following table shows the nature and magnitudes of investments of the private sector:

THE PRIVATE INVESTMENT PROGRAM
FY 1960 - 1962
(Million Pesos)

Sector	1960	1961	1962	*Total* 1960-1962
Agriculture	63.3	79.5	93.6	236.4
Mining	32.7	48.5	61.0	142.2
Manufacturing	199.2	202.1	238.4	639.7
Construction	253.0*	261.0*	274.0*	788.0*
Transportation and Communication	79.2	90.6	93.0	262.8
Others including trade & gov't. ..	101.6	81.3	127.0	309.9
TOTALS	₱729.0	₱763.0	₱887.0	₱2,379.0

The Program lays emphasis on these economic activities which are highly productive and which would, within a reasonable time, alleviate the pressing problem of foreign exchange. They have been selected on the basis of the criteria contained in the industrial program and the foreign exchange policy.

E. The Foreign Exchange Program

The financing of an overall investment Program for development does not only involve domestic or peso resources but also foreign exchange. In view of the precarious position of the country's level of international reserves, special attention is given to the investment pattern envisaged for the development program. Thus, the overall program has been designed in the light of this serious problem. The outlays for foreign exchange have been scaled down to the lowest levels possible, in consonance with the objectives of the Program.

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* ₱60 million represents repairs and alterations.

The foreign exchange requirements of the economic and social development program amount to $244 million for 1960, $246 million for 1961; and, $287 million for 1962, or an average of $259 million for the Program period.

The following foreign exchange program indicates the magnitudes of the sectoral needs of the public and private investment programs:

PUBLIC SECTOR
(Million Dollars)

	1960	1961	1962	*Total* 1960-1962
Agriculture	6.4	6.9	6.1	19.4
Mining	2.0	2.0	2.0	6.0
Manufacturing	19.5	24.2	26.5	70.2
Construction	18.4	17.5	15.2	51.1
Transportation & Communication	6.3	5.0	5.9	17.2
Others including trade & government	13.5	14.3	16.4	44.2
Total	$ 66.1	$ 69.9	$ 72.2	$208.2

PUBLIC SECTOR
(Million Dollars)

	1960	1961	1962	*Total* 1960-1962
Agriculture	8.2	9.7	12.2	30.1
Mining	9.7	14.4	17.6	41.7
Manufacturing	73.6	70.8	91.3	235.7
Construction	35.9	29.4	31.0	96.3
Transportation & Communication	32.0	37.3	38.9	108.2
Others including trade & government	18.2	14.1	23.9	56.2
Total	$177.6	$175.7	$214.9	$568.2

The industrial development program both public and private would require $306 million for the three year period. Transportation and communication, construction and mining would require $125 million, $147 million and $48 million, respectively. The average ratio of total foreign exchange to the overall net investment program is 47 per cent. Foreign exchange has to be provided for the purchase abroad of capital goods in the forms of machinery and equipment and raw materials, in addition to the country's normal imports of essential consumer goods and machinery replacement and raw materials for existing industrial plants. The schemes proposed in the fiscal, monetary and foreign exchange policy chapter of the program are designed to raise the foreign exchange requirements of the development program and to dampen the demand for imports particularly of the non-essential types.

Estimates of the foreign exchange resources which will become available to the country during 1960-1962 are reflected in the following foreign exchange budget:

PROPOSED FOREIGN EXCHANGE BUDGET
1959-1962
(Million Dollars)

Sources:	1959	1960	1961	1962	*Total* 1960-62
I. Estimates of Foreign Exchange from Regular Sources					
1. Export Receipts 1/	430.0 2/	473.0	495.0	520.0	1,488.0
2. Invisible Receipts	169	170.0	170.0	170.0	510.0
	599.0	643.0	665.0	690.0	1,998.0
Less Disbursements:					
1. Philippine Government Expenditures	.95	1.0	1.0	1.0	3.0
2. Miscellaneous	85.10	86.0	86.0	86.0	258.0
3. Commitments on foreign loan	21.24	20.0	20.0	20.0	60.0
	107.29	107.0	107.0	107.0	321.0
Estimated foreign exchange available from current earnings	491.71	536.0	558.0	583.0	1,677.0
II. Extraordinary Sources:					
1. Reparations	25.0	25.0	25.0	25.0	75.0
III. Total Foreign Exchange Available	516.7	561.0	583.0	608.0	1,752.0
IV. Estimates of Minimum Import Requirements to Permit Sustained Development of the Country:					
A. Total Requirements:	666.8	789.7	823.5	856.5	2,469.7
1. Normal foreign exchange requirements for essential consumer and producer goods for the operation of existing plants	484.3	545.7	577.5	569.5	1,692.7
2. Minimum additional foreign exchange requirements to achieve the pattern and pace of development envisioned in the economic and social development program	182.5	244.0	246.0	287.0	777.0

1/ Export receipts for 1960-62 projected at the rates of increase of 10 per cent in 1960 and 5 per cent thereafter.

2/ Export receipts estimated on the basis of 1956 levels.

Sources:	1959	1960	1961	1962	*Total* 1960-62
V. Excess of Import Requirements over Total Receipts ...	(150.1)	(228.7)	(240.5)	(248.5)	(717.7)
VI. Special Compensatory Financing: 1/					
A. External Loans	182.5	225.0	225.0	225.0	675.0
1. Export-Import Bank ..		50.0	50.0	50.0	150.0
2. Development Loan Fund		50.0	50.0	50.0	150.0
3. Others 2/		125.0	125.0	125.0	375.0
VII. Degree of Import Substitution:		35.9	26.5	35.2	97.6
VIII. Net Additions or Deduction from International Reserves:	32.4	32.2	11.0	11.7	54.9
IV. Total International Reserves at the end of the period:	154.3	186.5	197.5	209.2	593.2

The proposed foreign exchange budget reflects the order of magnitudes of foreign exchange resources that would become available to the country for each year of the program period and the foreign exchange requirements of the economy including those necessary for the achievement of the desired rate of economic growth.

Foreign exchange receipts from exports are estimated price-wise and quantity-wise on the basis of the level that obtained in 1956, plus the anticipated increases in exports with the adoption of an exports promotion program. The estimated rates of increase in exports during the three year period are in the order of 10 per cent for 1960 and 5 per cent for the next two years, 1961-1962. These represent an increase of about 20 per cent over the program period. The other regular sources of foreign exchange earnings such as U.S. government expenditures, private foreign investments and other invisible items are expected to remain at about the same levels for the period. A constant amount of $25 million from reparations constitutes an extraordinary but regular source of foreign exchange.

Disbursements of foreign exchange are estimated on the basis of the policy of allowing existing industrial plants producing highly essential commodities to operate at levels above the 50 per cent present average levels of operations. To achieve this objective, an additional amount of $50 million is provided for in the foreign exchange

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1/ Loans proposed to be secured payable after the third year (1963) at interest rates of from 5 to 6% payable in 10 years.

2/ Including settlement of claims on the devaluation of dollar and the excise tax for coconut oil aggregating $200 million, spread over the 3-year period.

budget after the normal growth of imports due to a growing population that has been taken into consideration. The minimum foreign exchange requirements of the economic and social development program averaging $259 million a year during the three year period are also adequately provided for in the foreign exchange budget.

The gap between expected foreign exchange resources and foreign exchange requirements during the period of the Program, is sought to be covered by the scheme of compensatory financing proposed in the foreign exchange program. A reasonable amount of long term loans aggregating on the average of about $225 million from the U.S. Export-Import Bank, the Development Loan Fund and other private sources are proposed to fill this gap. The Export-Import Bank will be tapped to the amount of $50 million while the Development Loan Fund is expected to provide about the same amount for each year of the three year period. Payment of Philippine claims on the U.S. aggregating approximately $200 million and spread over the three-year period is proposed to assist in the financing of the economic development program. It is recommended that the necessary steps be taken toward the early realization of the proceeds of these claims.

The industrial development program as formulated will effect the domestic substitution of commodities which are normally imported. The foreign exchange savings that would result from this substitution are proposed to be used for the payment of loans for machinery and equipment and raw materials secured through short term loans and deferred credits.

The successful prosecution of the economic and social development program requires the smooth flow of financial resources both domestic and foreign to the different areas in the economy where desirable projects are proposed to be undertaken. The proposed integrated fiscal, monetary and foreign exchange policy is aimed at mobilizing both domestic and foreign financial resources and to channelling them to areas which would bring about the desired pace of economic development.

Chapter 4

FISCAL, MONETARY AND FOREIGN EXCHANGE POLICIES

A. The Need for a Coordinated and Integrated Fiscal, Monetary, and Foreign Exchange Policies

The pattern and pace of development envisioned in the economic and social development program could only proceed in an orderly and smooth manner under conditions of fully coordinated and integrated fiscal, monetary, and foreign exchange policies. The many financial problems which arise in the course of economic growth have to be adequately met if they are not to negate whatever progress has been achieved in the other fronts of the economy.

The basic financial problem of economic growth involves both the mobilization of the country's financial resources and the redirection and utilization of these resources to uses that will contribute most to the achievement of the objectives of rising levels of production, employment and income. Part of the resources that becomes available to the country has to be mobilized by the government through its fiscal policy for the financing of the considered irreducible minimum of social services consistent with the requirments of a growing population and a rising level of living. Public outlays are also needed for public services and facilities necessary in stimulating and promoting the growth of private productive activities. As government competes with the private sector of the economy for the available resources, care need be taken so that whatever resources the public sector or the government mobilizes, would not reduce the resources that would otherwise be available to private enterprise for undertaking desirable productive activities.

As the economy expands and becomes more complex, there is an increased need for more money to facilitate the exchange of the increased output of goods and services. The economy therefore has to be provided with the desirable level of money supply to meet these needs. The elements of a monetary policy suited to the needs of a developing economy are effectiveness, flexibility and courageousness with prudence.

The financing of a development program does not only involve domestic, but also foreign exchange financial resources. As a matter of fact, this particular resource poses the most serious problem in financing the economic and social development program. For this reason, the availability of foreign exchange has become an overriding consideration in the formulation of the program, particularly with respect to industrial development.

B. Fiscal Policy

The scope of fiscal policy is limited in countries where incomes are generally low. Higher taxes are difficult to impose especially if they are relatively high, without impairing the people's level of living which is already very low. The same is true with respect to the capacity of the government to borrow from the public for the financing of essential social overhead and development programs.

The situation in the Philippines with regard to the scope of fiscal policy is however, more encouraging. There appears to be some more room for a high level of taxation. During the fiscal year 1957, the level of government revenues as a ratio of the country's gross income was only 7.7 per cent. Compared to the levels in other countries in a similar stage of development, this is rather low. Australia, Burma, Ceylon, Mexico, Ecuador and Brazil have very much higher levels, ranging from 23 per cent for Australia to 10 per cent for Brazil or an average level of approximately 15 per cent.

In consonance with these considerations, the public aspect of the development program will be undertaken by the government through raising its yearly revenue incomes to higher but sustainable levels. The financing of the increases in government current expenditures and in capital outlays shall be made as much as possible through taxation and non-inflationary public borrowing.

The proposed sources of financing the additional current operating expenditures and capital outlays of the government are as follows:

	(Million Pesos)			
Source	1960	1961	1962	*Total* 1960-1962
Taxation	₱246.6	₱240.4	₱222.0	₱ 709.0
Public borrowing	70.0	80.0	90.0	240.0
Reparations	30.0	34.0	38.0	102.0
Others incl. foreign aids and grants	84.0	79.0	85.0	248.0
Total	₱430.6	₱433.4	₱435.0	₱1,299.0

The bulk of the additional resources that will become available to the government for financing public projects of the purely governmental type is proposed to come from measures on increased taxation. These additional tax revenues will raise the ratio of government revenues to gross national product from 7.7 per cent in 1957 to about

10 per cent or an average increase of about 1.0 per cent during the program period.

To raise government revenue to the above levels, the following are recommended:

1. Amend sections 21, 24, 30, 34, 45 (c), 46 (b) and (d), 47, 51, 53 (a), (b) and (c), 133, 134, 135, 137, 191, 203 of the National Internal Revenue Code.

These amendments will increase total government revenues by about ₱100.0 million. They involve the reversion of pertinent tax rates to old tax rates and new fiscal measures.

2. Impose a special levy or tax of 30 per cent on the value of importation of certain types of imports upon the opening of the letter of credit.

The enactment of this tax measure involves additional tax revenues of approximately ₱200 million.

3. Impose special export taxes of from 5 to 10 per cent of the value of certain types of exports.

The above measure involves additional revenues of about ₱5 million.

4. Increase of gasoline tax by ₱0.02 per liter. This will involve an increase in revenue of about ₱16 million.

5. Repeal of R. A. 901 (Tax Exemption Law of new and necessary industries) and the adoption of the principle of accelerated depreciation.

6. The adoption of an incentive program to promote gold production and requiring the sale of the country's gold output to the Central Bank. This measure is aimed at encouraging the expansion of the gold industry and the increase of the monetary gold base.

A reasonable portion of the additional financial resources that will be required by the yearly public investment for developmental outlays is sought to come from the proceeds of government borrowing from the public through the following:

Source	(*Million Pesos*) 1960 *Amount*	 1961 *Amount*	 1962 *Amount*	*Total* 1960-1962 *Amount*
Government Financial Institutions (GSIS, SSS)	₱ 60.0	₱ 65.0	₱ 70.0	₱195.0
Private Financial Institutions and Private Individuals	10.0	15.0	20.0	45.0
Others	32.0	36.0	48.0	116.0
TOTAL	₱102.0	₱116.0	₱138.0	₱356.0

To enable the government to mobilize the desired magnitude of resources from the above sources the following measures are recommended:

1. The adoption of a policy requiring the public financial institutions such as the Government Service Insurance System and the Social Security System, to utilize their investible funds to help support the development of the government securities market. Due consideration shall be given the obligations of these public institutions to their members and the accepted standards of solvency and liquidity.

2. The structure of government securities as to maturities, interest rates, redemption, and denomination should be tailored to the needs of the general public. Specially, these featurs of government scurities should provide greater incentives to the increased sale to the general public.

3. The reexamination of the Insurance Law particularly with respect to the provision of affecting investment portfolios of private financial institutions. Consistent with accepted standards of portfolio diversification, a reasonable portion of the total investment of these institutions should be in the form of government securities.

An analysis of the pattern of investments of government and private financial institutions indicates that the bulk of the resources of these institutions is utilized for consumption and real estate loans. In 1957 for instance about 65 per cent of their loans and investment operations was devoted to these types of activities. A redirection of the financial resources of these institutions to more productive areas is highly desirable.

The country's securities market failed to expand considerably during the last eight years inspite of the efforts of government agencies concerned with the sales promotion of these securities. In 1957, only about 3 per cent of total outstanding government securities was held by private individuals and organizations. This could be attributed to some measure to the structure of government securities. The disincentives of longer maturities and the withdrawal of Central Bank support, particularly insofar as private individuals are concerned could have more than offset the incentives from the recent raising of the interest of government securities from 4 to 6 per cent.

Presently quite a number of private financial institutions in the Philippines are the largest potential sources of government borrowing. While the existing laws require these institutions to invest a portion of their resources in securities, it is not clear whether the intention is for them to purchase government or private securities. To the extent that the resources of these organizations are utilized for consumption and other less desirable activities, a policy requiring them to hold government securities would certainly serve to channel available savings to more directly productive enterprises.

The use of proceeds from government borrowing should be confined to public projects that are directly productive in nature and to those that will provide the facilities (external economies) which will directly stimulate private productive activities.

In line with these considerations the following criteria are recommended to form the bases of priority of projects that will be undertaken from the proceeds of public borrowing:

1. The contribution of the project towards increasing the nation's production of goods and services.

Projects which will make a direct contribution to output, at the earliest possible time, should normally be preferred over projects that will only indirectly contribute to increased production and which takes relatively longer periods to mature.

2. The foreign exchange requirement of the project.

Projects that have relatively much smaller requirements for foreign exchange and will eventually assist foreign exchange saving and/or earning activities should be given preference over those that are in less advantageous position. This will not include the NASSCO steel mill and similar public enterprises.

3. The contribution of the project towards providing additional employment opportunities.

Due consideration should be given those projects that will help alleviate the unemployment problem insofar as those projects do not adversely affect the objectives of increased production and the desired pattern of industrial development.

4. The nature of the project, as to whether or not it is self-liquidating.

Projects that will earn income not requiring continuing outlays for repairs and maintenance and could provide for amortization interest payments should be given preferential consideration.

The adoption of the above policies will not only determine the magnitudes but also the pattern of public outlays that will give full support to the national program of economies and social development.

In order to maximize the use of, and the benefits from, the resources which become available to the government through tax revenues, an adjustment of the structure of government operating expenditures is also recommended.

In this connection, it is proposed that the level of national defense expenditures be gradually decreased at the rate that will stabilize the level of these expenditures to about ₱150 million a year. This will release a portion of the financial resources of government to education, health and other similarly essential public activities. The more modern features of national defense points to the direction of a minimum of manpower and a maximum of equipment and a high degree of mobility.

To enable the government to know its financial position particularly on a cash basis, it is recommended that the accounting system and the manner of budget presentation be improved. The adoption of a cash budget is recommended.

C. Monetary and Credit Policy

The task of monetary and credit policy in a growing economy is to provide the economy with the desired volume of money and credit to be channeled to the desired types of economic activities. In an underdeveloped country aspiring for more rapid growth, like the Philippines, the demand for money is bound to increase for several reasons. The extension of the use of money into the non-monetary sectors of the economy, which occurs as development takes place, invariably requires more money. The growth of population likewise imposes new demand for money. Moreover, a developing economy results in more diversified needs for money as capital formation accelerates.

If economic growth, therefore, is to be stimulated one of the primary concerns of the monetary authority should be to provide the economy with that volume of money and credit that such growth invariably requires without impairing relative monetary stability. Indeed, too large or too small a money supply is not conducive to development.

It must however be recognized that monetary policy by itself cannot do efficiently the whole job of regulating the volume of money and credit. It must, as should fiscal policy, be coordinated with each other as well as with the foreign exchange policy.

Expansion of bank credit should be within limits that would promote growth in the private sector under conditions of relatively stable prices. A rise in prices normally follows economic growth. The checking of unreasonable rise in prices is also a task of the monetary authority. The monetary authority should see to it that the expansion of money and credit is within the limits of the considered tolerable price rise.

Another function of the monetary authority is the redirection of the uses made of bank credit. By means of its selective credit control powers, it could direct bank resources to areas of productive activities. The use of bank credit for speculative and consumption purposes should be curtailed to the lowest levels possible. Bank credit for real estate, commercial and other non-essential activities should likewise be cut down. Monetary policy should channel bank credit largely to industrial and agricultural production.

To achieve the above objectives the following measures are recommended:

1. Reconciliation and coordination of monetary and fiscal policy through the repeal of Executive Order No. 236 creating the Fiscal Policy Council. These functions are proposed to be vested in an appropriate government agency which is in the best position to effectively undertake these functions.

2. Re-examination of the present methods of selective credit control in order to coordinate and integrate them with the objectives of the economic and social development program.

3. Upward adjustment of the legal reserve requirements for all types of deposits to minimize the inflationary potential of the banking system.

4. Amend Sections 69, and 70 of the General Banking Act in order that all commercial banks regardless of ownership will be given equal privileges under the provisions of this law.

5. Re-examination of the consumer price index as to its coverage and applicability to make it a more realistic indicator of the behavior of the value of money and a more accurate guide to monetary policy. The importance of this index to monetary policy dictates that it should be truly reflective of price conditions in the whole country.

6. Strengthen the commercial and saving banks system through establishment of a National Deposit Insurance System.

7. Adoption and maintenance of a fixed ratio of international reserves to money supply. The ratio recommended is 20 per cent.

8. Monetary and credit policy should give equal emphasis on all its three statutory objectives, that of promoting a rising level of output, employment, and income, the preservation of the international value of the currency and monetary stability.

D. Foreign Exchange Policy

The nature of the development anticipated during the three years of the Program period will not impose further strains on the foreign exchange resources of the country. The investment structure of the program is such that it makes for the optimum utilization of foreign exchange through the domestic substitution of imported goods at different stages of processing.

The foreign exchange problem, in view of the present precarious level of international reserves, is given special attention in the formulation of the Program. In fact, the availability or non-availability of foreign exchange could spell the difference between success or failure of the development program itself.

The development program will require an average yearly outlay of $259 million during the program period. Capital goods, over and above the country's normal yearly imports, have to be purchased to meet the requirements of the program for these types of goods. Foreign exchange for the importation of raw materials for those desirable industries which would be established during the program period has to be provided, though these requirements have been kept to the minimum. This is not to mention those imports which have to be made to provide for the essential needs of a growing population.

To insure that the foreign exchange requirements of the Program would be met, the following measures are recommended:

1. The adoption of a foreign investment policy designed to promote and encourage joint Filipino-foreign ventures with ratios of participation in accord with existing policy which is presently on a 60-40 basis.

2. The adoption of a multiple reserve system with respect to the Japanese yen, the German mark, the Swiss franc, the pound sterling and other strong foreign currencies.

3. The adoption of a policy of allowing desirable productive enterprises to negotiate with suppliers of capital goods and raw materials on a deferred payment basis. The import substitution of the products produced by these firms and the resulting foreign exchange savings would be utilized for the settlement of these deferred credits. This principle should also be applied to projects financed from foreign loan and joints ventures.

4. The adoption of any or a combination of the following schemes and/or alternatives which are all aimed at increasing the country's foreign exchange earnings:

a. Tn exports promotion program involving a levy on all types of import transactions (with specific exemption) in the form of an import privilege tax and an exports incentive program which shall provide profits differential to the export industries.

Scope: A tax of 30 per cent for all types of import transactions to be paid upon the opening of the letter of credit. Items that enter the imported component of the cost of living such as drugs, basic foodstuffs, etc., shall be exempted from this tax. Proceeds from this tax would approximate ₱200 million (based on average of 1955-1957 imports).

A profit differential incentive to exports producers on the basis of from 10-20 per cent of world market prices of the products involved. The rate will depend upon the level of profits in the particular industry relative to the other export industries and the stage of processing of the commodity. Lower rates shall be applicable to exports of the purely raw form, high rates shall apply to exports in higher processed forms. The basis shall be profits during the last three years.

b. An export promotion program that involves the retention of a portion of foreign exchange earnings of the exports industries.

Scope: Retention of from 15-20 per cent of the foreign exchange earnings of the producer of the product exported to the U.S. market. A retention of from 20-25 per cent shall be applicable to exports to other free world markets.

Foreign exchange certificates with an initial maturity of 90 days and a maximum maturity of 180 days shall be issued to the exporter and producer. These certificates could be sold in the free market but their use shall be limited to the importation by exporter-producers of non-essential consumer and producer goods and the importation of capital goods and raw materials for the expansion and the establishment of desirable productive enterprises.

As an additional fiscal measure an export tax of from 5-10 per cent shall be levied on exportation of logs, lumber and veneer. This constitutes an increase from the present equivalent 1 per cent tax in the form of the inspection fee, on these types of exports and is aimed at the conservation of the country's forest resources.

c. A foreign exchange policy that involves a multiple rate system.

Scope: Different rates shall be fixed regarding the purchase and sale of foreign exchange, depending upon the types of transactions.

Under this scheme, there shall be three foreign exchange rates, for both the sale and purchase of foreign exchange. One rate will be an official rate on the basis of 2 to 1; another rate for certain types of exports and imports transactions shall be at the rate of 2.5 to 1; and, the third rate applicable to certain exports and imports transactions shall be the rate determined in the free market. The rate structure shall be subject to periodic examination and review by the planning agency of the government.

5. The administration and implementation of recommendations 1-4 above are to be vested in a National Authority on Trade and Industry which is proposed for establishment.

The National Authority on Trade and Industry shall relieve the Central Bank of its imports and exports control functions and shall serve as the agency that will implement the economic policies of the government relating to the promotion, development and protection of private industry and trade.

6. Retention of the present controls on the quantities and types of goods that may be imported.

7. Repeal of the No-Dollar Import Law.

8. Adoption of a system of priorities with respect to the allocation of foreign exchange taking into consideration the following:

   a.) The foreign exchange requirements of the strategic industries indicated in the Industrial Program shall be given a high priority;

   b.) Percentage value of imported raw materials to raw material requirements and total costs;

   c.) Stage of processing of the raw material used and of the finished product;

   d.) Assistance to the utilization of existing unused capacity of desirable industries;

   e.) Capital and labor intensity of the enterprise;

   f.) Availability of domestic resources required for the production of the product;

   g.) Time required for the project to mature; and,

   h.) Nature and essentiality of the commodity involved.

9. Reexamination of the Central Bank dollar remittance formula. The formula should be made more flexible and subjected to periodic examination in the light of the foreign exchange situation.

The foregoing recommendations taken as a whole are deemed necessary in the solution of the basic economic problems of the country. Neither fiscal policy nor monetary policy on their own and by themselves are adequate to bring about the conditions vital to both the achievement of the desired pattern and pace of development and the alleviation of the major economic ills that have plagued the country during the last decade or so. Fiscal and monetary policies have to be fully coordinated and integrated with respect to each other and also with respect to foreign exchange policy.

The fiscal policy recommended for formulation is aimed at placing the government on a more sound financial position without unduly imposing difficulties on either the part of the people or private enterprise. It is believed that under those conditions sound public finance is not inconsistent with a program of accelerated social and economic development. It cannot be denied that not a few of the economic problems that presently face the country could have been mitigated if not altogether avoided with just a little more coordination among monetary, fiscal and foreign exchange policies.

The accent on monetary policy requires more courage and prudence in its formulation and implementation. Monetary policy alone is not adequate to solve all the ills of the economy particularly if the only consideration of such policy is the short-run objective of monetary stability. The recommendations for monetary policy are so designed to fully coordinate and integrate this policy with fiscal and foreign exchange policy and to readjust its focus not only on the short-run objective of stability but also on the longer run objective of increasing the real level of output, employment and income. The emphasis is on relative and not absolute price stability.

The foreign exchange policy recommendations are based on the following major national considerations:

1. That the welfare of the consumer is not adversely affected. The foreign exchange policy proposed ensures the availability of essential consumer goods. The necessary foreign exchange will be provided for their importation;

2. The reasonable incentives are given the important foreign exchange earning sectors of the economy — the producers of the country's exports products. The incentives program is designed to operate in two directions, namely: stimulate the increased production of export products and enable these export industries to diversify and undertake other desirable productive enterprises;

3. That more knowledge about the behavior of the international value of the peso could be made available with the operation of the foreign exchange free market. A more careful and accurate study and analysis of the movements of the foreign exchange rates will enable the fiscal and monetary authorities to formulate more realistic and effective policies with respect to our foreign exchange problems. This could result in the eventual unification of the exchange rates and the complete decontrol of foreign exchange and all types of imports.

The foreign exchange policy will serve to operate in minimizing the demand for non-essential imports through the cost restrictions imposed by the special levy on these transactions.

Moreover, it assumes the continuation of the present quantitative controls on imports. This is a necessary complement to the proposed foreign exchange policy in order to ensure in the interim, that the uses to which foreign exchange are channeled in accordance with the priorities set forth in the economic and social development program.

Chapter 5

AGRICULTURAL DEVELOPMENT PROGRAM

A. Resume

This is a program aimed at increasing the production particularly of rice and corn and protein foods to assure an adequate food supply, at expanding the output of dollar-saving raw materials of agricultural origin for use by the manufacturing industry, at boosting production of export crops to increase foreign exchange earnings, at the proper utilization and conservation of agricultural resources, and at strengthening the institutional foundation of Philippine agriculture.

The program envisages the production of 7.8 million metric tons of food crops in 1960 and of 8.9 million metric tons in 1962, or raising th sufficiency ratio from 74.0 per cent in 1959 to 78.0 per cent in 1960 and to 84.6 per cent in 1962. Rice and corn output alone is expected to meet the requirements for the food grains as early as 1959. In 1962, animal protein food industries are expected to yield 675,000 tons of animal products and 530,000 tons of fish which will raise self-sufficiency to 40.9 and 73 per cent, respectively. Considering all food items, the sufficiency ratio is hoped to rise from 67.7 per cent in 1959 to 78.3 per cent at the end of the program period.

The production of export crops is estimated to increase from 3.2 million tons in 1959 to 3.6 million in 1962 to support an expanding volume of exports. By that year the country expects to produce about 3 million metric tons of exportable surplus including 1,390,000 of copra, 1,100,000 tons of sugar and 160,000 tons of abaca. Log production is to be maintained at 2 billion board feet a year enough to provide raw materials for the manufacture of lumber and plywood and at the same time meet the export requirements.

To attain the goals envisioned, policies and measures are recommended to be promulgated and implemented. These include the expansion of the rice and corn program supported by the banning of the importation of these cereals, adoption of a floor price for both, and establishment of a guarantee fund to expand NARIC's local operations; the provision of incentives for the production of export commodities and of import substitute; encouragement of livestock production through the importation of breeding stock, disease control, artificial insemination, livestock dispersal, etc.; expansion of fish production by the development of fishponds and deep-sea fishing; conservation of forests through proper utilization and management; expansion of agricultural credit and development of settlement areas.

The public and private sectors of the economy are called upon to work hand in hand and to contribute their share of labor and financial resources towards the attainment of the desired goals. Without this cooperative effort agricultural development cannot proceed at the desired pace. Thus, about ₱179 million of public funds and ₱236 million of private resources will be needed during the program period.

B. The Program

A high level of agricultural production under our conditions is vital to an accelerated program of economic development. An orderly process of economic growth is only possible to the extent that the agricultural sector of the economy lends full support to the whole scheme of development. Food for the growing population has to be provided and the growing processing and manufacturing industries have to be supplied partly or wholly with raw materials of agricultural origin. Consistent with the desired structure of production, increased output of export products has to be pursued to help provide the foreign exchange requirements of the growing economy.

The Current Situation

The Philippine economy today is still basically agricultural. During the last seven years, agriculture accounted for an average contribution to national income of 41.3 per cent. In 1957, however, because of the drought and fall in prices of agricultural commodities, income originating from agriculture was only ₱3,323 million or 37.8 per cent. During the same year $363.5 million worth of agricultural products were exported, constituting about 84.4 per cent of the total foreign exchange earnings from the exports of the country.[1]

As of October, 1957 about 4,997,000 persons or 60.9 per cent of the total labor force were actually employed in agricultural pursuits. About 70 per cent of the population live in the rural areas.[2]

Although agricultural productivity has increased, production has not quite caught up with the increasing requirements of a growing population. For example, in 1957, the 6.5 million metric tons of food crops produced supplied only 70.8 per cent of the needs of the people. The production of meat, milk and eggs was about 0.3 million metric tons or only 20.4 per cent of national requirements. The fish produced amounted to 0.38 million metric tons or a sufficiency of only

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[1] SOURCE OF BASIC DATA: Ninth Annual Report, 1957, Central Bank of the Philippines, Manila.

[2] Philippine Statistical Survey of Households, Series No. 3, October 1958, OSCAS, NEC, Manila.

60.0 per cent.

Thus, the country has to import every year these basic foodstuffs to fill the deficiency. In 1957, $37.5 million worth of cereal and cereal preparations; $8.2 million worth of meat and meat preparations; $31.5 million worth of dairy products, eggs and honey; $13.2 million worth of fish and fish preparations; $5.2 million worth of fruits and vegetables; and $6.2 million worth of coffee, tea, cacao, spices and manufactures thereof; or a total of $101.8 million, were imported.[1]

Opportunities for increasing agricultural production in the country are plentiful in view of the available untapped or unexploited natural resources. As of 1957, for example, out of the 11.4 million hectares already classified as agricultural and only 7.0 million hectares or 61.4 per cent were planted to crops. The rest were still unsettled and idle. On the basis, however, of the potential agricultural land estimated to be 17.2 million hectares, the area planted to crops constitutes only 40.7 per cent.[2]

There are about 3.4 million hectares classified as grasslands. Of this area, about 400,681 hectares are being used as grazing land covered by 2,242 pasture permits and/or leases in force as of June 30, 1957.[2] These, together with coconut lands and other farmsteads (that could serve dual purposes), can easily support a much larger livestock population.

The fishery resources are made up of 900,000 hectares of fresh water, about 500,000 hectares of brackish swampland, and 166,000,000 hectares of marine areas. However, only 400,000 hectares or 44 per cent of fresh water are exploited; only 112,000 hectares or about 22 per cent of the brackish swampland are so far developed into fishponds for fish cultivation purposes; and only the coastal and inshore waters of the marine areas are presently fished, leaving the deep-sea and offshore areas still largely unexploited.[3]

Forestry programs and utilization plans have assumed that there are 16.5 million hectares of forest lands with a stand of 460 billion board feet of timber and that this even grows at a rate of 1.5 per cent a year. Recent estimates, however, indicate that there are only 13.2 million hectares in various categories of forest lands of which only 7.3 million hectares are accessible commercial forests, that the commercial timber stock is only around 300 billion board feet, and that there is no appreciable timber growth at all. It is urgent that the forest resources be amply protected from undue destruction, the use of selective logging be made more general to lead to sustained-

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1/ Statistical Bulletin, June 1958, Central Bank of the Philippines, Manila.
2/ Bureau of Forestry, Manila.
3/ Bureau of Fisheries, Manila.

yield management, and that the reforestation program under a changed approach be accelerated.

The Problems

There have been improvements in the adoption of modern agricultural techniques and practices and in the institutions providing assistance to agricultural production. Despite this, however, some major problems still persist.

Crop Production. — Mention may be made of the age-old methods of farming still practiced by our farmers and the use of poor-yielding varieties tending to hold back improvements in farm productivity. These problems are further aggravated by the lack of knowledge on soil management and conservation practices and the proper control of plant pests and diseases.

Although farmers desire to improve their farming methods, low farm incomes impede their acquisition of agricultural equipment, supplies and additional labor. In some cases, the lack of farm-to-market roads and the high cost of transportation pose a bottleneck to the further increase in production. The accumulation of agricultural surpluses in some areas arising from these two obstacles makes the problem of processing and storage more acute.

Cooperative marketing efforts under the ACCFA has resulted in slightly raising the rice farmers' income. Nevertheless, much remains to be done in the way of organized and credit-supported marketing to help the producers of other food crops obtain high prices for their products.

With respect to rural credit, slight improvement have been achieved by congressional enactment of the Rural Banks and ACCFA laws. It is the feeling, however, that these two organizations should be encouraged to extend liberal long-term loans at low interest rates if their purpose of aiding agricultural development is to be achieved.

Livestock production. — In the field of livestock production, the problem of major importance is the shortage of quality breeding stock, particularly beef and dairy cattle to supply the requirements of those desiring to engage in beef cattle ranching and dairy farming. Much needs be done in breeding, feeding and management to hasten the production of sufficient number of superior breeding animals, thus doing away with the need for importing them. The prevention, control and eradication of bacterial, viral, parasitic and dietary diseases which are still prevalent, require much attention. The inadequacy of feeds and their poor distribution, particularly of concentrates, limit poultry and swine production.

The improvement of the dissemination of technical information to the livestock farmers; the clandestine and indiscriminate slaughter of animals; the need for the delimitation of pasture areas and pasture improvement; and, the training of more technical men are also problems that need solution.

The other problems to be faced are: the need for capital and credit assistance; improvement of the marketing of livestock and livestock products; and, inadequacy of research and statistical data on the industry.

Fish production. — In fisheries development, the alarming problem is the declining yield and low productivity of many units comprising the country's fishery resources, particularly of fresh-water and the coastal and immediate offshore areas. This was brought about by overfishing and destructions caused by illegal and indiscriminate fishing with the use of explosives, poisons, and fine-meshed nets. However, deep-sea and offshore areas offer a potential source of fish and other marine products but due to lack of entrepreneurs, deep-sea fishing has remained undeveloped.

The antiquated fishing methods still prevailing in the country are largely responsible for the poor fish catch that fishermen make. This is the principal cause of low income among them, a situation that hinders a fast rate of modernization of fishing practices and techniques, especially when prices of equipment, supplies, high-powered fishing vessels, nets and gears, and appliances are high. The lack of sufficient long-term credit at low interest rates aggravates this problem.

The other problems are lack of adequate information on the country's fishery resources and technical knowledge by which these resources can be developed and effectively conserved; lack of ground installations such as wharves, drydocks and engine repair shops to service fishing vessels; inadequacy of refrigeration facilities; timidity of capital; the inadequate control over the fishery resources by the government; and the lack of personnel trained in the manipulative skills of efficient fishing.

Forestry. — Encroachment on public forests and destruction of valuable timber have become widespread. Laws intended to protect the forests are not rigidly enforced and public disregard of conservation regulations has become very alarming. The segregation and setting aside of forest lands for permanent forests is very slow and there is no assurance that those being established or already established would remain as such.

Logging practices in most areas granted under timber license are still destructive and violative of sustained-yield principles as to preclude the return of logged-over areas to productive timberlands.

The lumber and wood-using industries are far from being stabilized and 40 per cent of the total timber output is still exported in the form of logs. The present reforestation practice is slow, expensive and often ineffective. Public appreciation of the importance of forests to the national welfare is wanting; there is paucity of reliable forestry data; the Bureau of Forestry suffers from inadequate facilities, funds and outmoded procedures and as a result forest administration is ineffective and considerable forest revenues escape collection.

Institutional problems. — There is urgent need to improve the administration and implementation of agricultural policies or programs and effect efficient and accelerated production. In many instances, the lack of concrete, comprehensive and progressive policies on agricultural development are clrealy evident. As a result of this, we find inadequacy, duplication and overlapping of service function; inappropriate recruitment, distribution and assignment of personnel; inadequate technical training in agricultural pursuits; ineffective utilization of scarce public funds; lack of extensive studies and statistics on agriculture; and lack of proper planning of agricultural activities on the part of the government and among private investors.

The income of the farmer is low. It is because the farm he cultivates is limited in acreage. He has always adhered to old-fashioned farming practices which by any standard is inefficient. He suffers from inadequacy of credit, poor marketing facilities, absence of farm-to-market roads, etc. There also exists the problem of land tenure practices which up to now appears to have only mildly responded to remedial measures. The creation of the Agricultural Tenancy Commission (RA 1199) which aims at defining and making more equitable the relationship between tenants and landlords, providing tenant-farmers with incentives to production, etc.; the organization of the Court of Agrarian Relations (RA 1267); the Land Tenure Administration (RA 1400); the establishment of farmer cooperatives, rural banks and others geared to the improvement of the farmers' lot and their active participation in the peaceful development of a democratic and progressive rural community have laid down the framework upon which to build the final solution to this age-old problem of tenancy. It is on the expeditious and coordinated implementation of all the measures within this framework that the improvement of land tenure depends. It must be recognized, however, that land tenure reform is a slow process.

Mention may also be made of the need for (1) more responsive credit policies; (2) properly directed, sustained and coordinated agricultural research; (3) an intensive vocational and technical training; (4) effective extension service; and (5) an agricultural taxation policy that will bring in more revenues and at the same time provide incentives to producers.

Objectives and Production Goals

Based on the problems previously indicated, the formulation of the agricultural development program considers the following objectives and goals:

1) To increase production of rice and corn beyond sufficiency level; increase substantially the production of other food crops and to set the pace of an accelerated production of animal protein foods, particularly fish, meat, milk and eggs in order to attain self-sufficiency in the earliest time possible.

2) To maintain and/or increase the production of dollar-earning and dollar-saving agricultural products, particularly copra, sugar, abaca, tobacco, cotton, logs, ramie, rubber and minor fishery and forestry products in order to realize greater proceeds and increase the country's foreign exchange earnings.

3) To initiate and/or strengthen measures that will bring about proper utilization and conservation of the land, fisheries and forestry resources to ensure a sustained yield from them.

4) To strengthen the economic, social and institutional foundations of Philippine agriculture through changes that will improve land tenure conditions, agricultural credit, marketing and cooperatives, research, education and extension, and rural community life.

The annual production levels aimed at in the three-year program are indicated in Table 1.

The attainment of the production goals during the program period would bring the level of sufficiency in food products (plant and animal) from 63.7 per cent in FY 1957 to 78.3 per cent in FY 1962. The annual sufficiency ratios of the different categories of food products are shown in Table 2.

Table 1. PRODUCTION GOALS FOR FY 1959 TO FY 1962
(In thousand metric tons)

Products	1957 1/	1958	1959	1960	1961	1962
Food crops	6,470.1 a	6,376.2	7,170.5	7,781.0	8,447.0	8,942.0
Commercial crops .	2,910.8 a	3,075.9	3,206.6	3,350.5	3,476.5	3,611.7
Animal products ..	292.1 a	398.8	456.7	524.1	600.6	675.5
Fishery products .	377.2 b	382.8	410.0	440.0	485.0	530.0
Forestry products 2/						
Logs c/	(1,964.0)	(2,000.0)	(2,000.0)	(2,000.0)	(2,000.0)	(2,000.0)
Lumber c/	(479.0)	(500.0)	(520.0)	(550.0)	(600.0)	(670.0)
TOTAL	10,050.2	10,235.1	11,243.8	12,095.6	13,009.1	13,759.2

SOURCE OF DATA: a/ Agricultural Economics Division;
b/ Bureau of Fisheries, Manila,
c/ Bureau of Forestry, Manila,
1/ Actual. 2/ In millon board feet; not included in total.

Table 2. SUFFICIENCY IN AGRICULTURAL FOOD ITEMS*

Production: In Thousand metric tons
Ratios: In per cent

Category	FY 1957			FY 1958			FY 1959		
	Production	Requirement**	Ratio	Production	Requirement	Ratio	Production	Requirement	Ratio
Food Crops	6,470.1	9,142.2	70.8	6,376.2	9,441.9	67.5	7,170.5	9,689.4	74.0
Animal Prod.	292.1	1,426.5	20.4	393.6	1,468.6	26.8	456.6	1,511.9	30.2
Meat	212.3	772.6	27.4	283.7	795.4	35.6	325.1	818.9	39.6
Milk	7.3	568.8	1.2	31.3	585.6	5.3	36.6	602.8	6.0
Eggs	72.5	85.1	85.1	83.6	87.6	95.3	95.9	90.2	106.2
Fishery Prod.	377.3	628.9	60.0	382.8	647.5	59.1	410.0	666.6	61.5
All Foods	7,139.5	11,197.6	63.7	7,157.8	11,558.0	61.9	8,037.1	11,867.9	67.7

Category	FY 1960			FY 1961			FY 1962		
	Production	Requirement**	Ratio	Production	Requirement	Ratio	Production	Requirement	Ratio
Food Crops	7,781.0	9,975.7	78.0	8,447.0	10,269.5	82.3	8,942.0	10,572.6	84.6
Animal Prod.	524.1	1,556.4	33.6	600.6	1,602.4	37.4	675.5	1,649.7	40.9
Meat	372.5	843.0	44.1	426.9	867.9	49.1	476.5	893.5	54.6
Milk	41.7	620.6	6.7	47.6	638.9	7.4	54.3	657.8	8.2
Eggs	109.9	92.8	118.4	126.1	95.6	131.9	144.7	98.4	148.0
Fishery Prod.	440.0	686.3	64.5	485.0	706.6	68.6	530.0	725.5	73.0
All Foods	8,745.1	12,218.4	71.5	9,532.6	12,578.5	75.7	10,147.5	12,947.8	78.3

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* Imported foods not taken into consideration. Requirements for rice and corn are based on apparent consumption; for other food items, on sound nutritional standards.

** Philippine Food Balance Sheet, 1957, National Economic Council, Manila.

Except for rubber and cotton which are not as yet produced in sufficient quantities for the domestic manufacturing plants, increased surpluses for exports are to be realized for commercial crops during the program period as indicated in Table 3.

Table 3. ESTIMATED EXPORTABLE SURPLUSES AND DEFICIENCIES OF COMMERCIAL CROPS*

(Thousand metric tons)

Items	1957	1958	1959	1960	1961	1962
Exportable Surplus	2,405.8	2,536.6	2,648.0	2,769.0	2,869.0	2,954.5
Copra	1,201.0	1,173.4	1,256.0	1,312.0	1,348.0	1,390.0
Desiccated coconut	54.0	56.9	65.0	70.0	75.0	80.0
Sugar	862.0	997.5	1,000.0	1,040.0	1,080.0	1,100.0
Abaca	120.0	115.7	130.5	140.0	150.0	160.0
Tobacco	15.0	11.1	17.0	19.0	20.5	22.0
Ramie	2.2	2.0	3.0	3.0	3.0	4.0
Maguey	2.5	1.7	4.5	6.0	7.5	8.7
Kapok	—	.1	.3	.7	1.3	2.6
Molasses	149.1	178.2	171.7	173.3	183.7	187.2
Deficiencies	19.8	21.6	24.8	32.3	35.7	37.6
Cotton	12.9	14.7	18.1	26.3	30.4	34.0
Rubber	6.9	6.9	6.7	6.0	5.3	3.6

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* Experts of pineapple and other fruits not included.

In addition, there would be increases in the production of lumber, plywood and other wood products for exports.

Financial Requirement

The program calls for additional public expenditure of ₱73.15 million in FY 1960, ₱53.97 million in FY 1961, and ₱52.57 million in FY 1962, or a three-year total of ₱179.69 million, as shown in Table 4.

Table 4. SUMMARY OF ADDITIONAL FINANCIAL REQUIREMENTS FOR THE 3-YEAR AGRICULTURAL DEVELOPMENT PROGRAM, FY 1960-62
(In million pesos)

Sector	*FY* 1960	*FY* 1961	*FY* 1962	*Total*
Crop Pdouction	26.05	27.07	25.77	78.89
Animal Production	2.95	2.65	2.45	8.05
Fish Production	2.75	2.75	2.75	8.25
Forestry	1.40	1.50	1.60	4.50
Institutional	40.00	20.00	20.00	80.00
TOTAL	73.15	53.97	52.57	179.69

The success of the program depends largely on the participation of the private sector which is called upon to channel more of its financial resources, efforts and talents into agricultural endeavors. This sector's level of additional investments has been estimated and presented in Table 5.

Table 5. ILLUSTRATIVE ADDITIONAL PRIVATE INVESTMENT SCHEDULE
(In million pesos)

Sector	*FY* 1960	*FY* 1961	*FY* 1962	3-*Years*
Crop Production	17.23	21.32	24.60	63.15
Animal Production	15.10	21.20	25.00	61.30
Fish Production	19.00	25.00	30.00	74.00
Forestry	12.00	12.00	14.00	38.00
TOTAL	63.33	79.52	93.60	236.45

Altogether, the estimated additional financial requirements of the program amounts to ₱136.48 million in FY 1960, ₱133.49 million in FY 1961 and ₱146.17 million in FY 1962, or a three-year total of ₱416.14 million.

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Table 6. ADDITIONAL FINANCIAL REQUIREMENT SHOWING CURRENT OPERATING EXPENDITURE AND CAPITAL OUTLAY (PUBLIC SECTOR) FY 1960-1962

(In million pesos)

Sector	FY 1960	FY 1961	FY 1962	Total
Crop Production:	**26.05**	**27.05**	**25.77**	**78.89**
Current & Operating Expenditures	7.05	7.07	7.07	21.19
Capital Outlay	19.00	20.00	18.70	57.70
Animal Production:	**2.95**	**2.65**	**2.45**	**8.05**
Current & Operating Expenditures	.45	.45	.25	1.15
Capital Outlay	2.50	2.20	2.20	6.90
Fish Production:	**2.75**	**2.75**	**2.75**	**8.25**
Current & Operating Expenditures	2.55	2.55	2.55	7.65
Capital Outlay	.20	.20	.20	.60
Forestry:	**1.40**	**1.50**	**1.60**	**4.50**
Current & Operating Expenditures	1.20	1.25	1.30	3.75
Capital Outlay	.20	.25	.30	.75
Institutional Factors:	**40.00**	**20.00**	**20.00**	**80.00**
Current & Operating Expenditures	—.—	—.—	—.—	—.—
Capital Outlay	40.00	20.00	20.00	80.00
TOTAL:	**73.15**	**53.97**	**52.57**	**179.69**
Current & Operating Expenditures	11.25	11.32	11.17	33.74
Capital Outlay	61.90	42.65	41.40	145.95

Table 7. ADDITIONAL FINANCIAL REQUIREMENT FOR AGRICULTURAL PRODUCTION SHOWING PESO AND DOLLAR COMPONENTS FY 1960-1962

(In millions)

Sector	FY 1960			FY 1961			FY 1962			Total		
	₱	$	Total Pesos	₱	$	Total Pesos	₱	$	Total Pesos	₱	$	Total Pesos
Crop Production	15.55	5.25	26.05	15.57	5.75	27.07	15.77	5.00	25.77	46.89	16.00	78 89
Animal Production	.75	1.10	2.95	.45	1.10	2.65	.25	1.10	2.45	1.45	3.30	3.05
Fish Production*	2.61	.07	2.75	2.61	.07	2.75	2.61	.07	2.75	7.83	.21	8 25
Forestry	1.40	—	1.40	1.50	—	1.50	1.60	—	1.60	4.50	—	4.50
Inst'l Factors**	40.00	—	40.00	20.00	—	20.00	20.00	—	20.00	80.00	—	80.00
TOTAL	**60.31**	**6.42**	**73.15**	**40.13**	**6.92**	**53.97**	**40.23**	**6.17**	**52.57**	**140.67**	**19.51**	**179.69**

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* Includes the fisheries guarantee fund of ₱2 million a year.

** NARIC—₱20.0 million guarantee fund; ACCFA—₱20.0 million guarantee fund a year for 3 years.

Table 8. ESTIMATE OF THE PESO-DOLLAR COMPONENT OF THE HOPED-FOR ADDITIONAL INVESTMENT OF THE PRIVATE SECTOR IN AGRICULTURAL PRODUCTION, FY 1960-1962

(In millions)

Sector	FY 1960			FY 1961			FY 1962			Total		
	₱	$	Total Pesos	₱	$	Total Pesos	₱	$	Total Pesos	₱	$	Total Pesos
Crop Production	15.69	.77	17.23	19.48	.92	21.32	22.34	1.13	24.60	57.51	2.82	63.15
Animal Production	14.00	.55	15.10	19.00	1.10	21.20	21.00	2.00	25.00	54.00	3.65	61.30
Fish Production	13.50	2.75	19.00	18.00	3.50	25.00	22.00	4.00	30.00	53.50	10.25	74.00
Forestry	3.60	4.20	12.00	3.60	4.20	12.00	5.60	4.20	14.00	11.20	13.40	38 00
TOTAL	**46.79**	**8.27**	**63.33**	**60.00**	**9.72**	**79.52**	**69.34**	**12.13**	**93.60**	**176.21**	**31.12**	**236.45**

Recommendations

The problems of agricultural development are many and varied. The formulation, therefore, of the investment program and the public policies that would be required to support them takes into consideration the limited financial resources which could be channeled into this field. The program stresses only the solving of the more important problems for which the folowing measures are recommended:

Rice and Corn

1.) To attain the production goals for these cereals, ₱25 million a year for three years should be provided for the further implementation of the rice and corn program started in FY 1959. This program is so vital to the economy that it is necessary to create a super national committee composed of high government officials with the responsibility of implementing the program.

2.) Because of the fact that most of our rice and corn lands are not irrigated, research on scientific farming practices including the application of fertilizers and use of high-yielding seeds on this type of land should be undertaken immediately. In this connection, technical assistance from the Rockefeller Foundation and the United Nations for a cereal research program should be requested. The research on corn should also be conducted in Mindanao so that the results obtained would be directly applicable in this region where large scale commercial planting of corn takes place.

Promotional campaign for private farmers to go into the commercial production of selected rice and corn seeds should be expanded. Production of selected seeds of these cereals by private concerns would be more economical and practical.

3.) The coverage of the program can be expanded by allowing the proceeds (50 per cent of cost) from the sale of fertilizers for distribution to additional areas and its successful termination can be enhanced by complementing it with the modernization of rice and corn milling including the procurement under Reparations of rubber-roller hullers worth ₱500,000 in FY 1960, and ₱1,500,000 in FY 1961 for credit sale at cost to group of rice farmers. The rubber-roller huller has the advantage of having a high milling recovery and retaining much of the vitamins and minerals naturally present in rice, hence, eliminating the need for the artificial enrichment.

4.) The program can be further strengthened by completely banning the importation of rice and corn, by encouraging the exportation of fancy rice varieties, by taking steps towards the ultimate Filipinization of the rice and corn trade, and by appropriating ₱20 million to be used as a Guarantee Fund to guarantee loans of the NARIC from financial institutions for local purchase of rice and corn. However, before this guarantee fund could be availed of, the NARIC should first liquidate all its outstanding obligations. In connection with NARIC purchasing activities, a floor price of ₱9.00 per cavan of palay and ₱7.00 per cavan of shelled corn should be established. In places where NARIC has no bodegas, arrangement should be made to accomodate the cereals purchased in FaCoMa bonded bodegas. The bonded warehouse receipts may be used to obtain loans to the extent of 60% of their face value.

Other Food Crops

5.) The service agencies of the government should encourage the development of orchards and truck gardening, the establishment of private seed farms and nurseries and the large-scale planting of cassava, camote, Irish potatoes, peanuts, cashew, pili, coffee, cacao and black pepper. Futher encouragement should be brought about by establishing a potato-onion-garlic-black pepper seed farm in Mountain Province that would require ₱150,000 in FY 1960 and ₱20,000 each of FY 1961 and FY 1962. Gradual banning of imports of fresh, canned and dried fruits and vegetables and coffee would also provide an incentive to agricultural producers.

Commercial and Export Crops

6.) All activities on coconut research including that of "Kadang-Kadang" should be concentrated in the Bureau of Plant Industry which should be provided with ICA and United Nations asistance.[1] The Bureau should program the systematic development of new coconut plantations to replace old and infested areas.

7.) The government should work for the development of new markets for sugar and for the increase of Philippine sugar quota to the United States.

Bulk shipment of sugar for export should be encouraged. This is more economical and would mean savings of dollars.

8.) To serve the abaca industry, the Davao abaca seedling bank should be expanded to three times its present size and provided with addtional appropriation of ₱50,000 a year.

Research on the control of mosaic disease should be continued. The use of modern stripping machine to increase fiber recovery and utilization of waste for pulp paper and paper for cigarette manufacture should be encouraged.

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[1] The term of the present U.N. Technician working on "Kadang-Kadang" should be extended and if this is not possible, another plant virologist should be recruited to take over the work.

9.) While it is recognized that R.A. 1194 has encouraged the production of Virginia leaf tobacco, it is felt that it is now time to limit government purchase to high-quality leaf only. Encouragement should also be given to the production of Sumatra wrapper tobacco.

10.) Cotton production should be encouraged by the enactment of a law giving a cash subsidy of ₱0.10 per pound of cotton produced and sold to spinning mills. The funds needed for this purposes estimated at ₱350,000 in FY 1960, ₱500,000 in FY 1961, and ₱700,000 in FY 1962 should be raised from an additional tax on imported textiles.

11.) Amendment of the National Internal Revenue Code eliminating the 7 per cent tax on the gross sale of raw rubber locally produced will encourage the production of this essential commodity. In this connection, a follow-up on the requirement for rubber companies to produce their rubber needs should be undertaken.

12.) To improve the competitive position of our export crop producers in the world market, they should be provided with sufficient foreign exchange for the importation of machinery, spare parts, fertilizers and insecticides.

Livestock Production

13.) Appropriation of ₱2 million annually for three years for the importation of superior breeds of animals for breeding purposes to be undertaken by the Bureau of Animal Industry. Seventy (70) per cent of the animals imported shall be for propagation in government stock farms and the remaining thirty (30) per cent shall be for immediate sale to livestock raisers. The progeny of those raised in government stock farms shall also be sold at cost after satisfying the needs of the government for replacement of stock. The stock to be imported should come, as much as possible, from places known to be free from contagious and infectious diseases, and should undergo strict quarantine before they are finally distributed.

To support the importation and distribution of livestock, there is need for expanding the facilities of the existing five stock farms, ten breeding stations, two breeding centers and the establishment of two new stock farms in Mindanao for the propagation of the stock. There is also need for a quarantine station where imported animals will be kept for quarantine before they are finally distributed. For these purposes, ₱800,000 should be provided for in FY 1960, ₱500,000 in FY 1961 and ₱300,000 in FY 1962.

14.) The Bureau of Animal Industry with the assistance of the Bureau of Agricultural Extension should undertake a periodic and regular nationwide immunization program to safeguard poultry, swine, cattle, carabaos and other animals from infectious disease. In this connection, ₱150,000 a year should be provided to expand the existing laboratory facilities of the Bureau of Animal Industry for research and for the production of vaccines, etc. A veterinary parasitologist should be recruited under the United Nations Expanded Technical Assistance Program to assist in the research work in the Bureau of Animal Industry and the College of Veterinary Medicine.

Fish Production

15.) The Bureau of Fisheries and the Bureau of Forestry should coordinate the work on the speedy disposal of numerous pending application for fishpond premits in their respective offices. In order to expedite the resolution of conflicts arising from overlapping fishpond claims, the Secretary of Agriculture and Natural Resources should send to the field at least six (6) representatives who should be vested with quasi-judicial or judicial powers to investigate any conflicting interests among claimant applicants. Report of the investigation should be made within one month after the hearing of each case to the Secretary who in turn should make the decision within one month after the receipt of the report of the investigation. The amount of ₱100,000 a year should be made available for traveling expenses of these representatives, for salaries of stenographer-typists, and for other expenses.

16.) The existing demonstration fish and oyster farms that have already served their purposes should be sold and the proceeds should be used to establish new fish or oyster demonstration farms in places where big potentials for these endeavors exist and await development.

17.) The acquisition of fishing boats, nets and gear, and other fishing appliances valued at ₱4.7 million which have been scheduled for procurement under Reparations in 1959 to 1962 should be expedited. As proposed, the costs of boats and equipment by year are ₱3.3 million in 1959, ₱0.20 million in 1960, ₱0.70 million in 1961 and ₱0.5 million in 1962. These boats should be awarded to deserving applicants or to established fishing firms in the country.

18.) Extensive fish stocking of depleted fresh-water units by the Bureau of Fisheries with artificially reared and/or salvaged young migratory fishes that have been stranded and could not reach these waters. This project will require establishment of fish hatcheries and nursery ponds for rearing and acclimitization of young and newly hatched fishes until they can take care of themselves when stocked in natural waters. One each of these hatchery and nursery ponds should be established in Lake Paoay (Ilocos Norte), Laguna de Bay (Laguna) and Lake Bato (Camarines Sur) in 1960; one each in Lake Taal (Batangas), Lake Naujan (Mindoro) and Lake Buluan (Cotabato) in 1961; and one each in Lake Balinsasayao (Oriental Negros), Camalaniugan (Cagayan) and Santiago (Isabela) in 1962. An amount of ₱900,000 should be made available for this purposes to be spent at the rate of ₱300,000 a year during the three-year period.

19.) There should be undertaken by the Bureau of Fisheries with U.N. technical assistance an extensive exploratory fishing survey for tuna and other deep-sea resources which would guide private entrepreneurs to develop them. The amount of ₱150,000 a year should be made available for the operational expenses of the 250-ton survey boat that is expected to be acquired from reparations in 1960. The proceeds from the catch of the fishing operation during the survey should accrue to the special fund of the Bureau of Fisheries created under Act 4003, otherwise known as Fisheries Act. This fund is used exclusively for the development of the fishery resources.

20.) Expand the fisheries research work at the Dagatdagatan Experimental Fishery Station in Navotas, Rizal. The U.N. should be requested for a Technical Assistant who will conduct research studies and at the same time train local fishery researchers. For the additional expenses on this expanded research activities the amount of ₱200,000 a year for three years should be provided.

21.) Encourage the development of pearl culture industry preferably by local entrepreneurs or through joint ventures between local and alien firms in accordance with the existing laws.

22.) The financing of deep-sea fishing ventures should be supported by a fisheries guarantee fund which should be made available at the rate of ₱2 million a year for three years.

23.) The activities of the Bureau of Fisheries relating to the enforcement of fishery laws, rules and regulations should be coordinated with those of the local units of the law enforcement agencies.

Forestry

24.) A sustained and systematic information campaign to make the public appreciate the importance of forests and secure the cooperation and support of the masses in conservation measures should be undertaken by utilizing all available educational media and mobilizing all pertinent agencies and organization — public and private — for the purpose. The national, provincial and municipal forestry councils should be reorganized and revitalized to lead in the movement.

25.) Adequate protection of the forests from kaingin-making, squatting and wanton destruction must be provided. Settlers shall be directed to and accommodated in alienable agricultural lands; a close cooperation and coordination should be worked out between the Bureau of Forestry and the local units of the Philippine Constabulary, municipal police, courts of justice, etc. on matters relating to the prevention, detection, and/or apprehension, prosecution and speedy disposition of cases of forest law violations.

26.) The present land classification system should be redirected towards accelerating: (a) the delimitation of areas to be set aside as permanent forests, marking their boundaries clearly and providing signboards on conspicuous places; (b) the classification and establishment of permanent zones for pastures, tree farms, woodlands, etc. This will require ₱100,000 in FY 1960, ₱200,000 in FY 1961 and ₱300,000 in FY 1962 for survey expenses. In this connection, a law giving security to areas declared as permanent forests and pasture zones should be enacted.

27.) To plug leakages in forest revenues arising from absence of scalers to measure and invoice logs in many logging areas and to assess and levy the corresponding forest charges on logs abandoned in the forests and to penalize damage done to young timber by destructive logging, more govenment scalers should be provided. The ₱200,000 required yearly for this purpose will not only bring about substantial increase in revenues but also promote closer utilization of the timber resources.

28.) Sustained-yield management through the practice of selective logging should be enforced in all permanent forests; licensees shall be charged with more responsibility over the management and protection of the areas granted to them; and operators of forest concessions (10,000 hectares and over) shall be required to put up a wood processing plant, at least a sawmill, to make use of the major portion of the logs cut in the concession. For working out logging plans, supervising the implementing of these plans, etc., ₱100,000 a year for three years shall be provided.

29.) Reforestation now being undertaken by the Bureau of Forestry should be re-oriented and accelerated by: (a) improvement plantings of logged-over areas and, (b) drawing in, through proper incentives, the participation of villagers and private enterprise in the reforestation of open lands. The program should give priority to barren critical watersheds; provide mass employment and vocational training for the youth, particularly among those living in the rural districts; promote the development of plantations of quick-maturing forest crops, such as bamboo, acacia, firewood, matchwood, pulpwood, lumbang, etc., to supply raw materials for existing and prospective industries. This will require an outlay of ₱1 million a year for three years.

30.) Enactment of a law prohibiting assessment of lands within public forests and penalizing violations thereof.

31.) Enactment of a law empowering the Director of Forestry to dispose of forestry products through public bidding and for other purposes.

Land Tenure

32.) The purchase and resale of landed estates by the Land Tenure Administration should be so directed in such a way that in providing land for the landless the productivity of the land distributed is not reduced. It may be necessary to institute a supervised credit program along with the sale of lots.

33.) The NARRA should accelerate placement of qualified farmers on settlement areas properly selected, sub-divided and provided with the basic facilities necessary for the development of progressive farm life. In this connection, the NARRA should, as special program, establish one agricultural colony a year for three years. Every colony should be located with the assistance of the Department of Agriculture and Natural Resources in a suitable area crossed by a vecinal road, subdivided by the Bureau of Lands, connected to a principal highway, and provided with a health center by the Department of Health, a school by the Bureau of Public Schools, and a community building by NARRA.

The settlers to these colonies should be strictly screened. Preference should be given to graduates of agricultural schools and colleges. Each settler should be allocated a farm lot of about 8 hectares and a homelot of 5,000 square meters which shall be titled as soon as the cultivation requirements have been complied with. No farm or homelot may be alienated within 25 years from the issuance of the title without the approval of the Secretary of Agriculture and Natural Resources.

Agricultural Credit

34.) The cooperative movement should be strengthened by placing more emphasis on the educational aspects of the program and the proper training of personnel to handle same; by appropriating ₱20 million a year for three years to serve as guarantee for ACCFA's borrowings from financial institutions; and by a careful supervision of the transactions of the Central Cooperative Exchange and the

FaCoMas. The guarantee fund shall, however, be provided only after an evaluation of ACCFA's activities and a complete audit of its accounts have indicated the need for same. Agricultural credit could be further improved by encouraging the establishment of more rural banks and cooperative credit unions.

Agricultural Research and Extension

35.) Agricultural research now being undertaken by the different agencies should be closely coordinated and intensified and the extension service which bridges the research institutions and the farmers should be geared more to the actual needs and resources of the farms and farm households.

Concluding Remarks

The success of the program hinges on its acceptance by the public once it is duly approved. Its success also depends on the timely release of the appropriations called for and the orderly and efficient organization of the various agencies of the government that will implement the various phases of the program. It is necessary that the Program be understood and appreciated so that everyone will give his wholehearted cooperation in its implementation.

Chapter 6

INDUSTRIAL DEVELOPMENT PROGRAM

A. Resume

The proposed three-year plan in manufacturing and mining considers the current economic situation and problems and estimates the probable gains that these two development sectors could contribute to a rising level of output, income and employment.

It recognizes the foreign exchange shortage as a major impediment to the achievement of further growth, which accounts for the current idle industrial capacity existing in the country. Of the existing industrial firms, the average aggregate actual capacity only amounts to about 52 per cent. The existence of idle capacity, however, is viewed in the program as an asset instead of a liability to the national economy.

Measures, therefore, to remedy this problem are suggested.

The manufacturing and mining program is addressed largely to the production of raw materials such as metallic products and basic chemicals from the country's indigenous resources to feed existing industrial firms, the integration of the textile industry, the production of wheat flour, pulp and paper, cement, ceramics, sheet and plate glass, petroleum refining, leather tanning, food manufacturing and cottage industries development.

It recommends priority in the allocation of foreign exchange to existing firms according to the degree of product essentiality, the types of new ventures which should be implemented and the necessary policies which should govern the provision of a favorable climate of investment as an incentive for private investment decisions and actions.

By and large, the manufacturing and mining program is a private enterprise development program and is closely integrated with the other development sectors of the economy upon which its smooth and more rapid growth relies. The capital requirements call for an amount of ₱298.53 million for FY 1960, ₱334.43 million for FY 1961 and ₱377.45 million for FY 1962. The dollar component by year amounts to $104.8 million, $111.4 million and $137.4 million, respectively.

The program is expected to solve the current essential industrial idle capacity due to the shortage of foreign exchange, the rather apparent lopsidedness in the current pattern of industrial development, and the lack of the required integration between manufacturing on one side and mining and agriculture on the other. It also includes the public management adjustments necessary to improve the present set-up and avoid undue "red-tape" which may discourage private entrepreneurial decisions and actions.

Should the plan be implemented as proposed, the estimated foreign exchange savings and/or earnings it would generate would amount to about $38.6 million in FY 1961, $90.9 million in FY 1962, $214.1 million in FY 1963, and $244.5 million in FY 1964.

The plan is believed practicable and feasible to undertake considering the resources available. The plan, however, can only acquire meaning through official adoption and implementation of the policies and measures recommended therein by the Office of the President and the Congress of the Philippines.

B. The Manufacturing and Mining Development Program

The Current Situation

A very modest shift in the structure of the economy has taken place from 1951 to 1957 with the industrial sector slightly moving forward. From 1947 to 1951, the rate of growth was fairly rapid due to the physical reconstruction and rehabilitation taking place then. This shift is characterized by a change in the structure of industrial development, departing from the pre-war traditional pattern of export goods production to one that includes production of manufactured goods for the home market.

During the last decade, however, there is evident expansion of the manufacturing sector as shown by the number and variety of industrial enterprises that have been set up. Many types of new and necessary industries were established under the tax-exemption law. The absolute value of industrial production in 1957 exceeded that of 1951 (generally regarded as the year dividing the period of post-war recovery and expansion) by ₱295 million or a rise of 31.5 per cent. This increase should have accounted for an increase in the share of manufacturing to national income were it not for the rapid expansion of the agricultural and other sectors. The achievements in manufacturing were the result of the efforts of both private enterprise and government, with the government providing the proper investment climate which improved business expectations and induced private enterprise to make the investments in various manufacturing fields.

To a limited extent, government engages in a few industrial enterprises, as for instance, cement production, textiles, shipyard and drydock, shipbuilding and fertilizer. Public investment is premised on the principle that the government has to pioneer in fields where private capital is timid. In a few instances, government invests in important enterprises which are too big for private enterprise to undertake, like steel mills and power development. The current public policy, however, governing government enterprises is for government to withdraw the moment private enterprise indicates its willingness to take over. The sale of the Bacnotan cement plant and the NDC nail plant are cases in point.

The range of incentives provided by government during the last ten years consisted of import control, foreign exchange rationing, tax exemption, a flexible tariff system, availability of long-term credit from public financial institutions, the prevention of overcrowding in specific industrial fields, banning of certain types of imports, shift in the allocation of foreign exchange from consumer items to the financing of capital goods and raw materials, investments in social overhead projects, industrial promotions and training, and with respect to gold production, the Gold Subsidy Program replaced later on by the Central Bank Blocked-Peso Account Policy.

In short, public policies and projects have helped largely in establishing the investment climate which has made possible the now discernible beginnings that the country has accomplished in the field of industrialization.

The foregoing accomplishments may be summarized as follows:

Manufacturing accounted for only 12.2 per cent of national income in 1950; in 1957 it accounted for 14 per cent. Mining showed a similar trend, accounting for only 0.8 per cent of national income in 1950; in 1957 it accounted for 1.5 per cent.

The increasing rate of contribution to national output by the manufacturing and mining sectors indicates the induced gradual shift taking place in the structure of the economy.

A shift in the employment structure has also taken place. In 1947, about 452,000 or 7 per cent of the total gainfully employed labor force was registered in manufacturing; in 1957, this increased to about one (1) million or 12.7 per cent. About 17,800 or 0.28 per cent of the gainfully employed labor force was registered in mining in 1948; in 1957, this increased to about 33,500 or 0.41 per cent.

In 1949, the index of the physical volume of manufacturing production (1955 — 100) was 46.9, moving up to 66.4 in 1951 and 124.7 in 1957. In 1957, however, lower rates of growth were achieved compared to 1956. In total manufactures, the physical volume of production in 1957 increased by 7.8 per cent while in 1956 the rate of increase was 15.7 per cent. Non-durable manufactures made a

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N.B. Data on the index of the physical volume of production were taken from the Central Bank Annual Report for 1957 and the CB Statistical Bulletin of March, 1958.

gain of 7.8 per cent in 1957 and 14 per cent in 1956. In durable manufactures, the increase in the physical volume of production reached 7.8 per cent which was much lower than the achieved in 1956 of 23.6 per cent.

In the non-durable group of manufactures, however, substantial production increases were noted in leather products, rubber, textiles, bakery products, processed fish, tobacco, pulp and paper, beer, wine, and petroleum products. In durable manufactures increases in production were led by concrete products, clay and cement, manufactures of machinery, electrical machinery, limestone products, glassware and glass containers, furniture and fixtures.

Among manufactured products whose production levels fell in 1957 were those of asbestos, metal products and transport equipment in the durable manufactures group. In non-durable manufactures, soft drinks and distilled spirits; wearing apparel and footwear; cocoa, chocolate, coffee, and sugar confectionery; meat preservation; and manufactured articles of paper and paper board suffered a decline.

The trend in the physical volume of output and the increasing investments in specific industrial enterprises during the last two or three years are corroborated by the achievement in the development of industrial enterprises.

In mining, the accomplishment from 1949 to 1957 was substantial. In 1949, the physical volume index of production (1955 — 100) was 47.5, moving up to 76.2 in 1951 and 123.7 in 1957. The year 1957 registered an increase of 12.9 points over that of 1956.

Volumewise, mining output in 1957 exceeded that of 1940 in some cases. The production of refractory and metallurgical chromite, combined, in 1957 exceeded the 1940 level by 275.9 per cent. Copper registered an increase of 345 per cent in 1957 over the 1940 level and iron by 8.5 per cent. Manganese production, in 1957, however, was still 38 per cent and lead 14.2 per cent below the 1940 levels. Comparing the 1949 with the 1940 output, only chromite showed an increase of 27.8 per cent over pre-war level. Iron ore was still short by 78.3 per cent, lead by 60 per cent, manganese by 46.3 per cent, and copper by 34 per cent.

Comparing 1957 with 1949, however, substantial production increases were noted. Refractory chormite output increased by 270.8 per cent, manganese by 573.9 per cent, iron ore by 263.9 per cent, lead by 115 per cent, rock asphalt by 97.5 per cent, coal by 55 per cent, and metallurgical chromite by 39.3 per cent. The only drop in production between the two periods was noted in rock asphalt to the extent of 97.5 per cent.

Comparing the mining output in 1957 and 1956, the picture has changed to a great extent showing mixed trends. The minerals which exhibited increases in output are as follows: manganese by 587.1 per cent, sand and gravel by 157.3 per cent, salt by 82.6 per cent, rock asphalt by 61 per cent, copper by 60.9 per cent, mercury by 11.5 per cent, refractory chromite by 5.2 per cent. On the other hand, the productoin of zinc dropped by 68.3 per cent, lead by 62.4 per cent, iron ore by 6.5 per cent, silica by 14.8 per cent, silver by 11.4 per cent and gold by 6.4 per cent. Mineral exports with the exception of gold and manganese showed decreases in export value. Hardest hit, however, in the world market in 1957 were metallurgical chrome and iron ore which accounted for the drop in production. A similar downward trend is shown by refractory chormite, lead and zinc.

Problems and Prospects

The above analysis of the current manufacturing and mining situation portrays the progress thus far achieved in these two development sectors. What becomes the problem however, is the further increase that manufacturing and mining could contribute to a rising level of output, income and employment, considering the limiting factors that now confront the two development fields.

The problems of industrial development in the Philippines are the following: (1) the available supply of foreign exchange for the importation of capital goods and raw materials; (2) the supply of investible funds; (3) the supply of necessary skills; (4) the available supply of power and other types of basic facilities; and (5) the size of the market.

The most serious barrier to a more rapid rate of industrial development in the Philippines today is the foreign exchange shortage. The expansion of the industrial capacity of a country calls for the allocation over a period of time of foreign exchange for the importation of the desired capital goods and necessary raw materials. To the extent that the country can not provide the necessary foreign exchange for these purposes, the rate of industrial development becomes slower than what is desired. Despite the increase in production of processed and manufactured consumers goods, the country has not effected sufficient savings in foreign exchange to support the raw material requirements of established industries. It is estimated that the average level of operations of existing industrial plants is only about 50 per cent of rated capacity. Moreover, many applications for the importation of capital goods for the establishment of new essential industrial enterprises have been either disapproved or could not be acted upon for lack of foreign exchange.

As a problem, the availability of investible funds for industrial development is not as serious as in the case of foreign exchange. In public and private financial institutions there appears to be adequate credit available for the purpose. The problem becomes a matter of redirecting the allocation of credit from real estate and consumption loans towards industrial financing.

Unlike in most underdeveloped countries, the supply of technical manpower and skilled labor is not much of a problem in the Philippines. The educational system has provided basic training in the manual skills for a considerable portion of the labor force which shortens the period of adaptation and training to specific skilled jobs involved in industrial processes. Similarly, the extent of higher education in this country has provided professional, technological and managerial training as basis for meeting the requirements of the industrial development program.

The problem with respect to power in the Philippines lies not so much in the adequacy of its supply but in its cost. Cost is also the problem with transportation particularly water transportation. Cheap power and cheap transportation are essential to industrial development.

The size of the market does not seem to be an urgent problem. There are more opportunities for industrial investments for which there is sufficient domestic demand for the corresponding products.

In the field of mining development, the problems are namely: the fall of the prices of base metals such as iron ore, copper, nickel and chromite in the world market; the high costs of production in the mining industry; high costs of transportation; and insufficiency of foreign exchange for the importation of modern and more efficient equipment.

The prospect of mining depends largely on the pace of industrial development that will take place, particularly in those areas which require minerals as raw materials, and on the rate of displacement of some major metal raw material imports by locally produced intermediate products.

The Plan

Considering the problems confronting the manufacturing and mining sectors of the economy and the extent to which they might hold back the rate of development in these fields, the following plan is being presented.

The proposed investment plan in manufacturing and mining considers the given situation and problems and what could be done about them. The plan gives emphasis, therefore, on the improvements which could still be made, knowing fully well the limiting factors which might hold back the anticipated rate of growth in these sectors and, consequently, their contribution to output, income and employment.

The formulation of the manufacturing and mining plan is guided by the following prority considerations:

(1) To establish industries that will produce basic products such as steel and basic chemicals to meet largely the requirements of existing industries;

(2) To develop industries that will produce desirable types of import substitutes;

(3) To establish industries that will process to a higher stage our export products in so far as this will not adversely affect demand for them abroad;

(4) To establish industries that will process the raw materials required by existing industrial plants;

(5) To improve the technical features and quality of the principal exports;

(6) To assist in providing additional employment opportunities for the growing labor force.

The foregoing are the longer run objectives of the manufacturing program.

As an immediate objective, it is desirable to expand industrial output by the immediate utilization on a selective basis of the existing idle industrial capacity which should be viewed largely as an asset to the economy. The advantage of giving preference in the utilization of available foreign exchange for the importation of the raw material requirement of under-utilized essential industries is that output, income and employment, to a certain extent, are automatically and immediately realized.

For the development of the manufacturing and mining sector along these lines, the desired magnitude of investment may be seen in Table 1 (*page* 72). The table indicates the capital of the manufacturing and mining plan requiring ₱298.53 million for the implementation of projects in the first program year or FY 1960. The currency components of this amount consist of $104.89 million and ₱88.75 million. For the second program year financial requirement consists of $111.45 million and ₱111.53 million or a total of ₱334.43 million. For the third program year, a total of ₱377.45 million will be needed or $137.49 million and ₱102.47 million. Of the total capital requirements for the first program year, private enterprise is expected to contribute 77.66 per cent leaving 22.34 per cent to the public sector; in the second program year the share of the private sector amounts to 74.93 per cent and in the third 79.32 per cent. The share of

Table 1. CAPITAL REQUIREMENTS OF THE MANUFACTURING AND MINING PLAN PUBLIC AND PRIVATE, FOR FY 1960 TO FY 1962

(*In Millions*)

Sector	*FY* 1959-60			*FY* 1960-61			*FY* 1961-62			*Grand Total*		
	Dollar	*Peso*	*Total*	*Dollar*	*Peso*	*Total*	*Dollar*	*Peso*	*Total*	*Dollar*	*Peso*	*Total*
A. Manufacturing	93.14	72.55	258.83	95.05	87.83	277.93	117.89	72.67	308.45	306.08	233.05	845.21
Public	19.47	20.74	59.68	24.20	27.45	75.85	26.55	16.95	70.05	70.22	65.14	205.58
Private	73.67	51.81	199.15	70.85	60.38	202.08	91.34	55.72	238.40	235.86	167.91	639.63
B. Mining	11.75	16.20	39.70	16.40	23.70	56.50	19.60	29.80	69.00	47.75	69.70	165.20
Public	2.00	3.00	7.00	2.00	4.00	8.00	2.00	4.00	8.00	6.00	11.00	23.00
Private	9.75	13.20	32.70	14.40	19.70	48.50	17.60	25.80	61.00	41.75	58.70	142.20
TOTAL	104.89	88.75	298.53	111.45	111.53	334.43	137.49	102.47	377.45	353.83	302.75	1,010.41
Total Public	21.47	23.74	66.68	26.20	31.45	83.85	28.55	20.95	78.05	76.22	76.14	228.58
Total Private	83.42	65.01	231.85	85.25	80.08	250.58	108.94	81.52	299.40	277.61	226.61	781.83
Percent of Private to Total	79.53	73.25	77.66	76.49	71.80	74.93	79.23	79.55	79.32	78.46	74.85	77.38

the public sector in the implementation of the three year plan ranges from about 21 to 25 per cent of the total capital requirements due to the urgent necessity of completing the NASSCO steel mill to provide private industry with various iron and steel intermediate products, the expansion of shipyard and drydock facilities, the further development of cottage industries, coal development, industrial research and geophysical and geological surveys.

Private enterprise will play the vital role in the implementation of the manufacturing and mining program. This conforms with the essence of free private enterprise inherent in the country's political system. The public side of the investment plan is limited to only four governmental projects, the breakdown of which is given in more detail elsewhere in the plan. The dominant role of the government in industrial and mining development will be the provision of the proper investment climate or that wide range of incentives which are expected to induce private investment in these fields of business activity.

The Manufacturing Plan

The current situation, problems and objectives discussed earlier in this plan form the basis of the determination of investment estimates and the formulation of the required public policies to support the anticipated levels of investments. The scope and coverage of the manufacturing plan is as follows:

Idle Capacity and Raw Material Needs. First priority in the allocation of foreign exchange is prescribed for existing industries producing items of food, clothing and construction, medicine, fuel and educational and office materials to the extent of their full capacity, if possible, in order to utilize the existing idle industrial capacity and immediately expand output. Based on the estimate of the Central Bank of the raw material requirements of existing essential industries, the total requirement at full capacity in 1958 would reach $687.2 million. To raise the foreign exchange support to essential existing firms at varying levels, the following table illustrates the magnitude of the requirements

Table 2. RAW MATERIAL REQUIREMENTS OF EXISTING ESSENTIAL INDUSTRIES 1/

Year	*Operating Capacity (Per cent)*	*Foreign Exchange Requirement. (in million)*	*As Per Cent of 1957 Merchandise Import Disbursements*
1957-	52	$359 (actual) 2/	54.56
1959-60	60	$412	62.61
1960-61	70	$481	73.10
1961-62	80	$550	83.59

1/ Assumption: a. Full capacity as estimated by Central Bank of $687.2 million
b. that prices are constant
c. that no raw material import substitution takes place
d. CB merchandise import disbursements in 1957 totalling $658 million.

2/ Source: Central Bank of the Philippines Ninth Annual Report, 1957, p. 70.

The foregoing table is presented illustratively to indicate the gravity of the problem of foreign exchange reserves and the capacity of the country to earn and spend foreign exchange. The achievement of even a 60 per cent operational capacity may not appear plausible to reach in the short-run. However, examining the foreign exchange requirement for raw materials as indicated for the first year of the program (FY 1959-60) at 60 per cent operational capacity or $412 million, the increase of 8 per cent from 1957 to FY 1959-60 appears possible should a drastic shift be resorted to in the allocation and utilization of foreign exchange on a more selective basis among sectors and within industry itself. Supported by the emphasis of investment in raw materials production in the manufaturing and mining fields, and the displacement of imports by local output, both in terms of finished products and raw materials, the solution of the raw material import problem may not appear very remote.

The absence of statistical data on the classification of imported raw materials even by category group pose a difficulty in the determination of the desired foreign exchange allocation shift within industry itself. In order to maximize the output of existing highly essential industrial firms, the allocation of foreign exchange for raw materials imports should give priority to the following industries:

1. food processing and manufacturing and related industries
2. textile manufacturing and related industries
3. manufacturing of various construction materials
4. drug manufacturing
5. manufacturing of materials for general administration and educational purposes
6. refining of petroleum products.

It is understood that within the above industry listing, some of the raw materials are already being produced internally to a certain extent and should therefore be excluded.

The so-called non-essential and luxury industries will suffer in the short-run due to the above prescribed shift in the allocation of foreign exchange to supply the raw materials needed by industries producing basic consumption goods and construction items. The approach to the grant of foreign exchange to achieve the objective of utilizing idle capacity should be highly selective (degree of essentiality) until the foreign exchange earning capacity of the country improves.

The Investment Plan in Manufacturing. The proposed investment plan in the manufacturing field seeks to achieve the aforestated objectives of industrial development. The plan gives emphasis on the production of raw materials and semi-finished products for the consumption of manufacturing industries producing finished or end-products. Similarly, the plan also includes projects on food processing, clothing and construction materials production to fill partly the rising demand in the country. Others are those that will widen the market for these products. The purpose is to give attention to the interdependence of desirable industry sectors and open up investment opportunities in industrial fields where the importation of finished goods and raw materials loom large.

The illustrative listing of projects in the manufacturing investment plan indicated for the private sector may be seen in Table 3, page 76.

The investment program in manufacturing considers the importance to the national economy of basic industries upon which end-product firms depend for their continuing supply of principal raw materials or semi-finished goods. It emphasizes the major channels of investment desired which are principally the metal, non-metallic, and chemical industries. The program embraces the completion of the NASSCO steel mill (included under the public sector), the establishment of a copper smelting and refining plant, nickel smelting, ferro alloys, and the production of various chemicals and chemical products like fertilizer, soda ash and caustic soda, glacial acetic acid, industrial explosives, benzene hexachloride, etc. Similarly, it gives emphasis on the expansion of cement output, the production of sheet and plate glass, ceramics and others to supply partly the requirements of the construction industry, the integration of the cotton textile industry to fill largely the rising demand for cloth, and the production of pulp and paper, processed and manufactured food, and upper leather. In consonance with the growth of the industrial sector, the plan also considers the growing fuel needs of the country and allows for the establishment of additional oil refineries including the gradual development of coal resources. A small amount of investment is also considered for the growth of cottage industries to be promoted by the Bureau of Public Schools and the Presidential Assistant on Community Development in order to develop skills by region in accordance with available resources. Cottage industries development is expected to contribute its share in solving the under-employment problem.

The manufacturing investment plan calls for a total capital outlay of ₱258.83 million in FY 1959-60 broken down into $93.14 million and ₱72.55 million. Of the total amount, ₱59.68 million is indicated for the public sector divided into $19.47 million and ₱20.74 million. The capital outlay in the public sector covers largely the investment

Table 3. PRIVATE INVESTMENT PROGRAM IN MANUFACTURING
(*In Millions*)

	Annual Capacity	FY 1959-1960			FY 1960-1961			FY 1961-1962			GRAND TOTAL		
		Dollar	Peso	Total	Dollar	Peso	Total	Dollar	Peso	Total	Dollar	Peso	Total
TOTAL	—	73.67	51.81	199.15	70.85	60.38	202.08	91.34	55.72	238.40	235.86	166.91	639.63
I. ***Metal Industry***	—	9.47	5.15	24.09	11.39	7.67	30.45	12.39	8.99	33.77	33.25	21.81	88.31
1. Copper Smelting & Refining	12,000 M.T.	1.57	1.66	4.80	1.36	1.66	4.38	1.00	.83	2.83	3.93	4.15	12.01
1. Surigao Nickel Smelting 1/	6,000 M.T.	7.90	3.49	19.29	7.86	3.49	19.21	7.62	1.74	16.98	23.38	8.72	55.48
3. Ferro-Alloy	48,000 M.T.	—	—	—	1.52	1.62	4.66	2.27	2.42	6.96	3.79	4.04	11.62
4. Agric. Tools & Implements	1,000 M.T.	—	—	—	0.65	0.90	2.20	1.50	4.00	7.00	2.15	4.90	9.20
II. ***Non-Metal Industry***	—	5.68	7.51	18.87	5.62	8.00	19.24	10.16	13.87	34.19	21.46	29.38	72.30
1. Cement	15 Mill. Bags	3.20	4.41	10.81	3.20	4.41	10.81	9.60	13.23	32.43	16.00	22.05	54.05
2. Semi-Coke (Briquetted)	18,000 M.T.	—	—	—	0.37	0.43	1.17	0.56	0.64	1.76	0.93	1.07	2.93
3. Glass (Sheet & Plate)	10,000 M.T.	1.25	1.50	4.00	1.00	1.00	3.00	—	—	—	2.25	2.50	7.00
4. Ceramics	45,600 M.T.	1.23	1.60	4.06	1.05	2.16	4.26	—	—	—	2.28	3.76	8.32
III. ***Textile Industry***	—	12.98	7.52	33.48	10.21	6.32	26.74	11.94	5.12	29.00	35.13	18.96	89.22
1. Cotton	162.4 Mill. Yds.	12.24	7.00	31.48	8.37	5.00	21.74	9.00	3.00	21.00	29.61	15.00	74.22
2. Ramie	10.4 Mill. Yds.	0.74	0.52	2.00	1.84	1.32	5.00	2.94	2.12	8.00	5.52	3.96	15.00
IV. ***Pulp and Paper Industry***	116,600 M.T.	14.73	7.61	37.07	10.52	5.44	26.48	16.84	8.68	42.36	42.09	21.73	105.91
V. ***Food Processing Industry***	—	4.15	6.76	15.06	3.40	5.80	12.60	3.15	5.48	11.78	10.70	18.04	39.44
1. Wheat Flour Mills	200,000 M.T.	2.25	2.88	7.38	1.50	1.92	4.92	1.25	1.60	4.10	5.00	6.40	16.40
2. Food Canning (Fish, Meat & Vegetable)	32,652 M.T.	1.90	3.88	7.68	1.90	3.88	7.68	1.90	3.88	7.68	5.70	11.64	23.04
VI. ***Chemical Industry***	—	8.84	5.72	23.40	11.98	8.79	32.65	10.51	6.06	27.08	31.28	20.57	83.13
1. Benzene Hexachloride (BHC)	1,500 M.T.	—	—	—	0.40	0.10	0.90	0.10	0.10	0.30	.50	.20	1.20
2. Ammonium Sulfate	50,000 M.T.	2.87	0.87	6.61	2.58	1.09	6.25	1.72	0.22	3.66	7.17	2.18	16.52
3. Ammonium Nitrate	30,000 M.T.	—	—	—	1.52	1.58	4.62	4.78	2.38	11.94	6.30	3.96	16.56
4. Urea	30,000 M.T.	2.54	2.04	7.12	2.82	2.06	7.70	1.00	1.06	3.06	6.36	5.16	17.88
5. Soda Ash-Caustic Soda-Chlorine	44,100 M.T.	1.93	1.91	5.77	2.41	2.40	7.22	0.48	0.48	1.44	4.82	4.79	14.43
6. Industrial Explosives	3,000 M.T.	—	—	—	0.43	0.44	1.30	0.65	0.70	2.00	1.08	1.14	3.30
7. Acetic Acid (Glacial)	1,200 M.T.	—	—	—	0.27	0.22	0.78	0.28	0.22	0.78	.55	.44	1.54
8. Coconut Oil	432,000 M.T.	1.50	0.90	3.90	1.50	0.90	3.90	1.50	0.90	3.90	4.50	2.70	11.70
VII. ***Petroleum Refining Industry***	20.59 Mill. Bbls	15.57	11.04	42.18	15.38	17.76	48.52	24.05	6.82	54.92	55.00	35.62	145.62
VIII. ***Leather Tanning Industry***	3.0 Mill. Sq. Ft.	—	—	—	0.15	0.10	0.40	0.05	0.20	0.30	0.20	0.30	0.70
IX. ***Development of Cottage Ind.***	—	2.25	0.50	5.00	2.25	0.50	5.00	2.25	0.50	5.00	6.75	1.50	15.00

1/ Intended either for private financing, government financing or private-public joint financing according to the Nickel Law (R.A. 2077) requirement of the NASSCO steel mill in Iligan and the expansion of the shipyard and drydock. The appropriation for industrial research covers the financing of industrial research activities under the National Science Development Board in the search for new production processes and techniques and in the production of new products.

The breakdown of the public investment side of the manufacturing plan is shown on the following table:

Table 4. PUBLIC INVESTMENT PROGRAM IN MANUFACTURING, FY 1960-62
(In Millions)

Project & Annual Capacity	*FY 1959-60* Dollar Portion	Peso Portion	Total (Pesos)	*FY 1960-61* Dollar Portion	Peso Portion	Total (Pesos)
TOTAL	19.47	20.74	59.68	24.20	27.45	75.85
I. Metal Industries ..	18.50	19.50	56.50	22.90	25.65	71.45
1. Iron Smelting & Steel Rolling 1/ 300,000 MT ...	17.90	17.00	52.80	22.70	24.30	69.70
2. Dock and Shipbuilding 3,000 GT	0.60	2.50	3.70	0.20	1.35	1.75
II. Industrial Research	0.97	1.24	3.18	1.30	1.80	4.40

Project & Annual Capacity	*FY 1961-62* Dollar Portion	Peso Portion	Total (Pesos)	*GRAND TOTAL* Dollar Portion	Peso Portion	Total (Pesos)
TOTAL	26.55	16.95	70.05	70.22	65.14	205.58
I. Metal Industries ..	25.05	15.65	65.75	66.45	60.80	193.70
1. Iron Smelting & Steel Rolling 1/ 300,000 MT ...	24.90	15.00	64.80	65.50	56.30	187.30
2. Dock and Shipbuilding 3,000 GT	0.15	0.65	0.95	0.95	4.50	6.40
II. Industrial Research	1.50	1.30	4.30	3.77	4.34	11.88

The total investment in the various projects included in manufacturing, both public and private, is hoped to bring about the anticipated structural change. The materialization of the investment plan is expected to increase output and effect foreign exchange earnings and/or savings as shown in Table 5. (Page 78)

The above table shows the contribution of the investment in the manufacturing plan to output and foreign exchange savings and/or earnings. The plan is geared largely to the production of raw materials and the integration of some industries with the former filling largely the demand of existing firms. The anticipated gross foreign exchange savings and/or earnings are estimated to reach $38.6 mil-

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1/ Completion date as planned will be FY 1962-63; estimated capital requirement during that year amount to $6 million and ₱1.45 million.

Table 5. ESTIMATED VALUE OF OUTPUT, FOREIGN EXCHANGE SAVING AND/OR EARNING ARISING FROM THE PROPOSED INVESTMENT BY INDUSTRY GROUP (FY 1960-1961) 1/

(In Thousand Dollars)

	FY—1960-1961			FY—1961-1962			FY—1962-1963			FY—1963-1964		
	Value of Output 2/	Imported Raw Material Cost	Dollar Saving &/ or Earning	Value of Output	Imported Raw Material Cost	Dollar Saving &/ or Earning	Value of Output	Imported Raw Material Cost	Dollar Saving &/ or Earning	Value of Output	Imported Raw Material Cost	Dollar Saving &/ or Earning
TOTAL	46,159	7,516	38,643	114,615	23,719	90,896	286,016	71,871	214,145	329,761	85,265	244,496
A. GOVERNMENT SECTOR	8,496	3,230	5,266	29,725	5,366	24,359	47,557	5,484	42,073	56,298	5,786	50,512
I. Metal Industry	8,496	3,230	5,266	29,725	5,366	24,359	47,557	5,484	42,073	56,298	5,786	50,512
B. PRIVATE SECTOR	37,663	4,286	33,377	84,890	18,353	66,537	238,459	66,387	172,072	273,463	79,479	193,984
I. Metal Industry	—	—	—	—	—	—	28,376	667	27,709	33,968	779	33,189
II. Non-Metal Industry	1,535	308	1,227	4,437	794	3,643	7,725	1,198	6,527	12,626	2,338	10,288
III. Textile Industry	16,815	2,850	13,965	23,853	6,018	17,835	37,157	9,707	27,450	40,792	10,734	30,058
IV. Pulp and Paper Industry	—	—	—	3,182	146	2,986	20,810	1,070	19,740	24,192	1,128	23,064
V. Food Processing Industry	3,102	1,128	1,974	18,061	11,395	6,666	24,087	14,391	9,696	30,690	18,590	12,200
VI. Chemical Industry	16,211	—	16,211	35,407	—	35,407	67,601	106	67,495	69,551	123	69,438
VII. Petroleum Refining Industry	—	—	—	—	—	—	52,253	39,080	13,173	60,969	45,590	15,379
VIII. Leather Tanning Industry	—	—	—	—	—	—	450	168	282	575	197	378

1/ Derived from Tables A, B and C, Appendix I: no output is expected during the first program year or FY 1959-1960.
2/ CIF Value if Imported and FOB Value if Exported; based on 1956 and 1957 prices.

lion in FY 1961, $90.9 million in FY 1962, $214.1 million in FY 1963 and $244.4 million in FY 1964 (Please see Appendix I, Tables A, B, and C for details). By FY 1964, the programmed contribution to foreign exchange savings and/or earnings of the metal industry is expected to reach $83.7 million, the chemical industry $69.4 million the textile industry $30 million, the pulp and paper industry $23 million. The Republic Flour Mills, for instance, required $1.2 million for machinery and equipment, whereas the expected dollar savings by producing wheat flour locally will amount to about $2 million annually at 50,000 m.t. capacity. The Bataan Pulp and Paper Mills, using largely local raw materials, will cause an annual foreign exchange savings of about $4 million, operating at a capacity of 60 tons of pulp and paper per day. The estimates were projected beyond the program period to portray the magnitude of foreign exchange savings and/or earnings should some raw materials (intermediate products) be produced locally out of the country's indigenous resources as strongly recommended in the plan.

The estimated gross foreign exchange savings and/or earnings arising from the proposed investments have been arrived at after deducting from the estimated output the imported raw material costs. As planned, the demand for imported raw materials would show up beginning the second program year. The estimated raw material requirements, valuewise. of the plan are as follows: FY 1961 — $7.52 million, FY 1962 — $23.72 mililon, FY 1963 — $71.87 million, and FY 1964 — $85.27 million.[1]

Altogether the above investment plan is tied up with that of mining to insure that mining activity and output will provide the mineral requirements of the intermediate product firms other than exports, and widen the market for various mineral products.

The Plan for Mining Development

The investment proposal in manufacturing includes, among others, the completion of NASSCO's integrated steel mill, the establishment of a copper smelter and refining plant, ceramics, fertilizer, and ferro-alloys production which will depend greatly on investment in the mining sector. The investment plan in manufacturing and mining shows the required interrelationships between the two sectors which are coordinated to a certain feasible extent.

The combined public and private investment in this development field is shown in Table 6. (Page 80)

Largely, the mining investment plan is intended for implemen-

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[1] Only the imported raw materials costs were considered; other operational foreign exchange costs are intractable.

Table 6. ESTIMATED PUBLIC AND PRIVATE INVESTMENT IN MINING
(*In Millions*)

	FY 1959-1960			FY 1960-1961			FY 1961-1962			GRAND TOTAL		
	$	₱	Total (In ₱)	$	₱	Total (In ₱)	$	₱	Total (In ₱)	$	₱	Total (In ₱)
TOTAL	11.75	16.20	39.70	16.40	23.70	56.50	19.60	29.80	69.00	47.75	69.70	165.20
Public Investment	2.00	3.00	7.00	2.00	4.00	8.00	2.00	4.00	8.00	6.00	11.00	23.00
Private Investment	9.75	13.20	32.70	14.40	19.70	48.50	17.60	25.80	61.00	41.75	58.70	142.20
Per cent of Private to Total	82.9	81.4	82.3	87.8	83.1	85.8	89.7	88.4	88.4	82.36	85.84	88.40

Table 7. ESTIMATED PRIVATE INVESTMENT IN MINING
(In Millions)

	FY 1959-1960			FY 1960-1961			FY 1961-1962			GRAND TOTAL		
	Dollar Portion	*Peso Portion*	*Total Pesos*	*Dollar Portion*	*Peso Portion*	*Total Pesos*	*Dollar Portion*	*Peso Portion*	*Total Pesos*	*Dollar Portion*	*Peso Portion*	*Total Pesos*
TOTAL	9.75	13.20	32.70	14.40	₱19.70	48.50	17.60	25.80	61.00	41.75	58.70	142.20
Metal	7.75	10.70	26.20	11.25	14.00	36.50	13.25	18.50	45.00	32.25	43.20	107.70
1. Gold (silver, lead, zinc and copper)	1.50	2.00	5.00	2.00	2.00	6.00	2.00	3.00	7.00	5.50	7.00	18.00
2. Copper	1.00	2.50	4.50	1.50	3.00	6.00	2.00	4.00	8.00	4.50	9.50	18.50
3. Manganese	.50	1.00	2.00	.50	2.00	3.00	.75	2.00	3.50	1.75	5.00	8.50
4. Chromite:												
a) Refractory	.50	1.00	2.00	.75	1.00	2.50	.75	1.50	3.00	2.00	3.50	7.50
b) Metallurgical	—	—	—	.50	1.00	2.00	.75	1.00	2.50	1.25	2.00	4.50
5. Iron	1.75	2.50	6.00	2.50	3.00	8.00	3.00	3.00	9.00	7.25	8.50	23.00
6. Nickel (Nonoc Island)*	2.50	1.70	6.70	3.50	2.00	9.00	4.00	4.00	12.00	10.00	7.70	27.70
Non-Metallic	2.00	2.50	6.50	3.15	5.70	12.00	4.35	7.30	16.00	9.50	15.50	34.50
1. Coal	1.00	1.00	3.00	1.50	2.00	5.00	2.00	2.00	6.00	4.50	5.00	14.00
2. Pyrite	.50	.50	1.50	.65	.70	2.00	.85	1.30	3.00	2.00	2.50	6.50
2. Lime	.50	1.00	2.00	1.00	3.00	5.00	1.50	4.00	7.00	3.00	8.00	14.00
Capital Replacement of existing Mines**	3.25	3.00	9.50	3.75	5.00	12.50	4.50	6.00	15.00	11.50	14.00	37.00

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* Intended for private financing, government financing or as a private-public joint venture according to the Nickel Law (RA 2077).
** Not included in total.

tation by the private sector with government providing the proper investment climate. The details for the investment by project in the private sector is shown on Table 7. (Page 81)

The foregoing estimate of investment by the private sector considers the need for manufacturing firms as well as those for the export market.

For the public sector, investment is limited to coal development and survey for the Cebu Portland Cement Company and a project on geophysical and geological survey of the country to expand the currently surveyed area of about 10 per cent.

The suggested public investment in mining is shown on the following table:

Table 8. ESTIMATED PUBLIC INVESTMENT IN MINING
(In Millions)

	FY 1959-60			*FY* 1960-61			*FY* 1961-62			*Grand Total*		
	$	₱	*Total*	$	₱	*Total*	$	₱	*Total*	$	₱	*Total* (₱)
TOTAL	2.00	3.00	7.00	2.00	4.00	8.00	2.00	4.00	8.00	6.00	11.00	23.00
1. Coal Development (CEPOC)	$1.00	2.00	4.00	1.50	2.00	5.00	1.50	2.00	5.00	4.00	6.00	14.00
2. Geophysical & Geological Surveys (Bu. of Mines)	1.00	1.00	3.00	.50	2.00	3.00	.50	2.00	3.00	2.00	5.00	9.00

The estimated total investment in mining considers the integration of mining and manufacturing activity. Emphasis, therefore, is given to fields of investments which would call for further development of the country's iron ore reserves; gold mining in view of its by-products copper, lead, zinc and silver; nickel; manganese; and copper reserves themselves. In the non-metallic group, the expansion in the production of coal, pyrite and lime are indicated.

For the first year of the mining program, a total of ₱39.70 million is considered, broken down into $11.75 million and ₱16.20 million. Of the total investment, ₱32.70 million is intended for the private sector and only ₱7.00 million for the public sector.

The foregoing investment in mining, public and private, is anticipated to increase mining output as follows:

Table 9. PRODUCTION GOALS IN MINING[1/]
(In Thousands)

	FY 1959-60	FY 1960-61	FY 1961-62
Gold and Silver	1,040.0 oz.	1,100.0 oz.	1,060.0 oz.
Metallics	2,209.0 M.T.	3,549.5 M.T.	4,660.0 M.T.
Non-Metallics	2,600.0 M.T.	3,200.0 M.T.	5,600.0 M.T.

To realize the above anticipated output, however, the implementation of the projects in the mining plan will require foreign exchange to finance the importation of supplies necessary in mining operations. The foreign exchange costs of such supplies by year are estimated as follows:

Table 10. ESTIMATED FOREIGN EXCHANGE REQUIREMENTS FOR SUPPLIES OF PROPOSED PROJECTS IN MINING
(In Thousand Dollars)

	FY 1959-60	FY 1960-61	FY 1961-62
TOTAL	2,300	3,200	3,600
1. Explosives			
a. Dynamite	500	600	800
b. Blasting Caps	100	200	300
c. Fuse	200	300	300
2. Chemicals	200	200	200
3. Spare Parts	1,000	1,500	1,500
4. Others	300	400	500

Development of Cottage Industries 1/

Cottage industries have long been carried on in the Philippines but their income and employment potentials have not been fully tapped due to weaknesses in organization, marketing, financing and product standardization. It is precisely for this reason that government must do something to revive the interest in this productive activity and expand it if possible as an initial approach to the solution of under-employment in the country.

The three-year economic and social development program includes a plan for the development of cottage industries by private individuals and groups through incentives to be provided by government. The incentives will come in the form of the training of adults at community level by craftsmen-teachers of the Bureau of Public Schools; marketing assistance to be extended to cottage craft producers by both the Bureau of Public Schools, the Presidential Assistant on Community Development and the National Marketing Corporation, and possibly the Philippine Tourist and Travel Association, Inc.; and the provision of blue-printed plans and bills of materials for specific, acceptable and standardized cottage products as a production guide for home producers.

Cottage products for development shall be those included under the fololwing categories: loom-weaving, embroidery, woodcraft, hat-weaving, mat-weaving, metal craft, rattan and bamboo crafts, ceramics, shell craft, and abaca and coconut coir products. Product development and the training of skills shall be implemented largely from the regional point of view, based on the type of raw material re-

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1/ The educational phase is treated under the Social Development Program, the marketing phase under the Trade & Commerce Program and the production phase in the Manufacturing Program.

sources available in specific regions, and shall be done largely by the Home Industries Division of the Bureau of Public Schools.

For the initial implementation of the cottage industries program, ₱5 million is indicated annually for the private sector and partly for government. This will cover the capital requirements of the program broken down into $2.25 million and ₱0.50 million for each of the three program years. Some of the equipment are expected to come from the reparations program. For the training phase, the sum of ₱1.2 million shall be appropriated for the Home Industries Division to finance the hiring of 300 teacher-craftsmen and a few home industries supervisors, the expansion of the craftsmen building, furniture and equipment and travel and operating expenses. For the marketing phase, the sum of ₱500 thousand shall be appropriated for the marketing assistance functions of the Bureau of Public Schools and another ₱1 million for the marketing assistance to home craft producers by the National Marketing Corporation, both in the form of revolving funds. The intention is to provide the Bureau with such funds as to enable it to purchase on the spot acceptable cottage products for resale direct to consumers and/or to the National Marketing Corporation. The revolving fund provided for NAMARCO shall finance purchases of acceptable products from either the Bureau of Public Schools or producers accessible to its organizations for resale either locally to domestic users and exporters or directly abroad. This arrangement takes advantage of the organization of the Bureau of Public Schools as a product buying and collecting agency with NAMARCO as one of the principal outlets.

To help assure a domestic market for some cottage products like paper baskets, waste baskets, coir or abaca door mats, ash trays, and a few other items, the government through the Department of General Services shall prescribe an Administrative Order requiring purchase of such items by all government offices.

Experts from the UN shall be enlisted and trainees must be sent abroad for specialization through the UN, Colombo and ICA training programs particularly on loom-weaving, bamboo crafts, designing, and the operation of cottage industries machines obtained under the reparations program.

It is believed that the further development of cottage industries will rely greatly on the marketing, training, and technical assistance that government will have to provide. The scattered and heterogeneous nature of cottage craft products requires an effective coordination of both the production and marketing aspects. The program is anticipated to provide for this necessary arrangement.

Recommendations

The implementation of the above program of investment in manufacturing and mining will revolve, by and large, around public policy. The approach indicates the type of environment that government has to provide in order to induce private investment in the channels listed illustratively in both the manufacturing and mining plans. Altogether, public policy on government enterprises and the extent to which public investment might complement or compete with private business ventures are clarified. On the other side of the plan, a public policy calling for the necessary adjustments in public management procedures which are believed conducive to the reduction of administrative "red-tape" is in order so as not to dampen private investment decision and action. A stronger coordination, therefore, of the activities of public offices having to do with the establishment of manufacturing and mining enterprises has to be effected.

I. Recommendation Requiring Presidential Sanction

1. *With respect to the allocation of foreign exchange.*
   a. First priority shall be given by the foreign exchange allocating agency to the raw material requirements, at higher levels, of existing firms engaged in the following: food manufacturing and related industries, textile manufacturing and related industries, construction materials and related industries, drug manufacturing, general administration and education materials and the fuel industry. Also included are other essential industries, the local raw material cost of which will be at least 75 per cent of total raw material cost.
   b. Foreign exchange for the establishment of new capacity shall be allocated for the implementation of the projects included in the manufacturing and mining investment plans.
   c. During the first two years of the program, foreign exchange shall not be allocated for the establishment of new non-essential and luxury industries, the classification of which shall be determined by the National Economic Council and the Central Bank of the Philippines in order to discourage in the meantime investment in these areas.

      The foreign exchange allocation of existing firms producing non-essential and luxury goods which are dependent on imported raw materials shall be cut temporarily by 50 per cent or more in order to bring about a shift in the utilization of foreign exchange favoring in the basic and highly productive industries.

2. *Import substitution or displacement.* It shall be the policy that domestic output both in terms of raw materials and finished products shall displace as they are produced the corresponding imports after giving due allowance to the population rate of growth.
3. *In respect of the public projects.* All means must be sought in financing the NASSCO steel mill in Iligan in order to products the domestic demand for which is now developing This shall apply to the implementation of the other two public projects included in the plan.
4. *In the export field.* Investment in the processing of traditional exports into higher stages of production as well as the production of new export goods shall be encouraged as a policy through the immediate approval of investment proposals along this line of business activity.
5. *Sale of government enterprises.* To implement the present public policy of selling government enterprises that private enterprise is willing to buy, ways and means must be sought to hasten the process.
6. *In the financial field.* The financial resources of public financial institutions must be channelled largely to productive enterprises by making long-term loans available for the purpose.
7. *Foreign investments.* Foreign investments are welcome in the financing of any of the projects listed in the manufacturing and mining program to the extent of 40 per cent of the proposed capitalization, reserving 60 per cent for Filipino capital.
8. *Procurement of capital goods.* For the financing of capital goods imports, the deferred payment plan shall be preferred due to the current shortage of foreign exchange. Similarly, foreign loans shall be tapped for the purpose from any free world source. The implementation of this recommendation shall be guided by the maximum benefits to be derived by the country under such an arrangement. The most advantageous machnery prices, interest rates, and terms of payment shall be the major criteria.
9. *Industrial taxation.* Republic Act 901, or the tax exemption

law, which expired on December 31, 1958, shall not be considered for further extension.

10. *Incentives to gold production.* A re-examination of the present policy on gold production in the light of the benefits that the country derives from its implementation shall be made jointly by the National Economic Council, the Central Bank of the Philippines and the Bureau of Mines which shall be constituted into a formal committee.

II. Recommendations Requiring Legislative Action.

1. *Creation of a National Development Authority.* In order to strengthen the government's efforts in planned development, there shall be created a National Development Authority to serve as the implementing arm of the National Economic Council in carrying out the project and policy recommendations in the NEC social and economic development plan pertaining to public enterprises. The creation of NDA will abolish the Office of Economic Coordination, the National Development Company, the Board of Liquidators, the Investment Assistance Commission, and the Anti-Dumping Board. Corollary to this a National Authority on Trade and Industry (treated elsewhere in the overall plan) shall also be created to carry out program and policy recommendations pertaining to private enterprise.

The NDA shall be vested with the following functions:

a. To implement approved policies governing the establishment, operation and/or proposed sale of government enterprises.
b. To follow-up and evaluate the progress of existing firms and to recommend to NEC measures for their improvement.
c. To supervise, coordinate and assist government industrial and service enterprise in complementing private business activity.

In all cases, the policies and management criteria which may be prescribed by the NDA from time to time in pursuing its activity shall be subject to the review and final approval of the National Economic Council before adoption by the said Authority.

The implementation of this management scheme through legislation will call for an appropriate of ₱0.5 million.

2. *Division of the National Shipyards and Steel Corporation into Two separate corporations.*
   - a. The present National Shipyards and Steel Corporation shall be split into two distinct corporate bodies each to be known as the:
     - (1) National Steel Corporation
     - (2) National Shipping and Shipyards Corporation
   - b. Both organizations shall be made stock corporation with the power to sell shares of stocks to private enterprise. Alien participation in these business organizations shall not be allowed to exceed 40 per cent of the total capitalization.
   - c. The powers vested in the National Development Company in the Overseas Shipping Act of 1955 shall be transferred to the National Shipping and Shipyards Corporation in order to integrate public investment activity in shipping and shipbuilding and coordinate such activity with private enterprise.
3. *Amendment of Section* 13 *of the Corporation Law.* Any person or corporation not engaged in mining shall be allowed to hold unlimited interests in not more than three mining corporations, provided that should a person or corporation hold interests in more than three, such interests shall not exceed 40 per cent of the stocks of any such corporation.
4. *Use of coal for power generation.* In areas where coal is available, the grant of franchises for the establishment of electric power plants shall be conditioned on the use of coal as fuel, if feasible, to widen the market and utilization of the product.
5. *Amendment of the Petroleum Act.* To amend several provisions of R.A. No. 387, otherwise known as the Petroleum Act of 1949, for the purpose of clarifying certain provisions of the law in accordance with the experience and observations of the Bureau of Mines and the Department of Agriculture and Natural Resources. The word "materials" in the Act shall not be interpreted to mean "raw materials".

The success in the implementation of the foregoing policy and project recommendations on industrial and mining development will depend upon the institution of concomitant monetary and fiscal reforms.

As envisioned, the industrial and mining plan stresses the vital importance of the production of raw materials and semi-finished products out of the country's indigenous resources to fill the requirements of existing firms; the integration of the manufacturing plan with the mining and agricultural plans; the integration of the textile industry; the establishment of flour mills; the expansion of the shipyards and drydock facilities; and the creation of a public machinery necessary to improve the services of government to entrepreneurs by forming the National Development Authority and the National Authority on Trade and Industry as implementing arms of the National Economic Council. This approach is premised on the maximization of the use of foreign exchange which is considered the most serious obstacle to further economic development.

The plan welcomes foreign investments in the form of joint ventures or partnership with Filipino capital and a re-allocation of credit and foreign exchange resources to the most desirable channels of development.

Table A. ESTIMATED IMPORTED RAW MATERIALS AND FOREIGN EXCHANGE REQUIREMENTS OF NEW INVESTMENT, FY 1959-1964*

(*Value In Thousand Dollars*)

	PROGRAM				PERIOD		POST PROGRAM			
	FY 1959-60		FY 1960-1961		FY 1961-1962		FY—1962-1963		FY 1963-1964	
	Quantity	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*
TOTAL	—	—	—	7,516	—	23,719	—	71,871	—	85,265
A. GOVERNMENT SECTOR:	—	—	—	3,230	—	5,366	—	5,484	—	5,786
I. Metal Industry	—	—	—	3,230	—	5,366	—	5,484	—	5,786
1. Iron Smelting & Steel Rolling	—	—	—	980	—	3,116	—	3,234	—	4,536
Electrodes	—	—	1,072 M.T.	214	3,467 M.T.	693	4,615 M.T.	923	5,084 M.T.	1,017
Graphite Electrodes	—	—	119 M.T.	49	385 M.T.	160	513 M.T.	213	365 M.T.	235
Refractories	—	—	28,451 M.T.	153	35,527 M.T.	448	40,981 M.T.	583	41,413 M.T.	639
Miscellaneous Supplies	—	—	—	226	—	264	—	301	—	301
Ingot Moulds	—	—	1,139 M.T.	228	5.230 M.T.	1,046	6,029 M.T.	1,214	6.720 M.T.	1,344
Ferro-Alloy	—	—	488 M.T.	110	2,242 M.T.	505	—	—	—	—
2. Dock and Shipbuilding	—	—	—	2,250	—	2,250	—	2.250	—	2,250
B. PRIVATE SECTOR:	—	—	—	4,286	—	18,353	—	66,387	—	79,479
I. Metal Industry	—	—	—	—	—	—	—	667	—	779
1. Copper Smelting & Refining	—	—	—	—	—	—	—	—	—	—
2. Surigao Nickel Smelting	—	—	—	—	—	—	—	661	—	772
Electrodes	—	—	—	—	—	—	4,812 M.T.	553	5,613 M.T.	646
Graphite	—	—	—	—	—	—	540,000 Lbs.	108	630,000 Lbs.	126
3. Ferro-Alloy	—	—	—	—	—	—	—	—	—	—
4. Agric. Implement & Tools, Hardwares, Ballbearings, etc.	—	—	—	—	—	—	—	6	—	7
II. Non-Metal Industry	—	—	—	308	—	794	—	1,198	—	2,338
1. Cement	—	—	—	—	—	340	—	737	—	1,873
Gypsum	—	—	—	—	—	33	—	71	—	181
Packing Materials	—	—	—	—	—	111	—	241	—	611
Spare Parts	—	—	—	—	—	180	—	390	—	990
Contingencies	—	—	—	—	—	16	—	35	—	89
2. Semi-Coke (Briquetted)	—	—	—	—	—	—	—	—	—	—
3. Glass (Sheet and plate)	—	—	—	—	—	66	—	16	—	18
Soda Ash	—	—	—	—	682 M.T.	53	—	—	—	—
Salt Cake	—	—	—	—	205 M.T.	13	239 M.T.	16	273 M.T.	18
4. Ceramics	—	—	—	—	—	—	—	—	—	—
Glaze and chemicals	—	—	—	308	—	388	—	415	—	449

Table A. (Con'td)

	PROGRAM				PERIOD				POST PROGRAM	
	FY 1959-60		FY 1960-61		FY 1961-62		FY 1962-63		FY 1963-64	
	Quantity	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*
III. Textile Industry	—	—	—	2,850	—	6,018	—	9,707	—	10,734
1. Cotton	—	—	—	2,850	—	5,898	—	9,447	—	10,314
Raw Cotton	—	—	7,4 M. Lbs.	2,590	161.1 M. Lbs.	5,495	25.3 M. Lbs.	8,865	27.7 M. Lbs.	9,695
Chemicals and Dyestuffs	—	—	—	260	—	403	—	582	—	619
2. Ramie	—	—	—	—	—	120	—	260	—	420
Chemicals and Dyestuffs	—	—	—	—	—	120	—	260	—	420
IV. Pulp and Paper Industry	—	—	—	—	—	—	—	—	—	—
Salt cake, alum, size, clay, resin, miscellaneous	—	—	—	—	—	146	—	1,070	—	1,128
V. Food Processing Industry	—	—	—	1,128	—	11,395	—	14,391	—	18,590
1. Wheat Flour	—	—	—	—	—	8,951	—	10,443	—	14,266
Wheat Grains	—	—	—	—	115,200 M.T.	8,525	134,400 M.T.	9,946	183,600 M.T.	13,587
Additives and Chemicals	—	—	—	—	—	426	—	497	—	679
2. Food Canning										
Tin Cans, Oil, and Rubber Sealing Compounds	—	—	—	1,128	—	2,444	—	3,948	—	4,324
VI. Chemical Industry	—	—	—	—	—	—	—	106	—	123
1. Benzene Hexachloride (BHC)	—	—	—	—	—	—	—	—	—	—
Benzene	—	—	—	—	—	—	129,100 Gals.	52	150,616 Gals.	60
2. Ammonium Sulfate	—	—	—	—	—	—	—	—	—	—
3. Ammonium Nitrate	—	—	—	—	—	—	—	—	—	—
4. Urea	—	—	—	—	—	—	—	—	—	—
5. Soda Ash-Caustic Soda	—	—	—	—	—	—	—	—	—	—
6. Industrial Explosives	—	—	—	—	—	—	—	54	—	63
Nitrocellulose	—	—	—	—	—	—	27 M.T.	25	32 M.T.	30
Paraffin	—	—	—	—	—	—	18 M.T.	5	21 M.T.	5
Paper	—	—	—	—	—	—	120 M.T.	24	140 M.T.	28
7. Acetic Acid (Glacial)	—	—	—	—	—	—	—	—	—	—
8. Coconut Oil	—	—	—	—	—	—	—	—	—	—
VII. Petroleum Refining Industry (Crude oil, chem., additives, etc.)					—	—	—	39,080	—	45,590
VIII. Leather Tanning Industry										
Hides and Chemicals	—	—	—	—	—	—	—	168	—	197

* ASSUMPTIONS: a) Requirements are based on a rising level of operating capacity as follows: first year—60%; second year—70%; third year and thereafter, 80%.

b) Imported materials would be displaced by locally produced items as they become available.

c) Prices based on the 1956 and 1957 levels.

Table B. ESTIMATED ANNUAL PRODUCTION OF NEW INVESTMENTS, FY 1959-1964*

(Value In Thousand Pesos)

	PROGRAM				*PERIOD*		*POST PROGRAM*			
	FY 1959-60		FY 1960-61		FY 1961-62		FY 1962-63		FY 1963-64	
	Quantity	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*
TOTAL	—	—	—	92,318	—	220,229	—	572,031	—	659,522
A. GOVERNMENT SECTOR:	—	—	—	16,991	—	59,449	—	95,114	—	112,596
I. Metal Industry	—	—	—	16,991	—	59,449	—	95,114	—	112,596
1. Iron Smelting & Steel Rolling	—	—	—	10,951	—	47,369	—	89,074	—	100,516
Pig Iron (Cast)	—	—	56,160 M.T.	10,951	65,520 M.T.	12,449	74,880 M.T.	14,602	74,800 M.T.	14,602
Welded Steel Pipes	—	—	—	—	—	—	21,600 M.T.	9,828	25,200 M.T.	11,466
Black Sheets	—	—	—	—	—	—	57,600 M.T.	23,904	67,200 M.T.	27,888
Medium Structurals	—	—	—	—	28,800 M.T.	12,240	33,600 M.T.	14,280	38,400 M.T.	16,320
Plates	—	—	—	—	14,000 M.T.	5,976	16,800 M.T.	6,972	19,200 M.T.	7,968
Billets	—	—	—	—	57,600 M.T.	16,704	67,200 M.T.	19,488	76,800 M.T.	22,272
2. Dock and Shipbuilding	—	—	—	6,040	—	12,080	—	6,040	—	12,080
Interislands Vessels 1,600 gross tons to 3,200 gross tons	—	—	3,200 G.T.	6,040	6,400 G.T.	12,080	3,200 G.T.	6,040	6,400 G.T.	12,080
B. PRIVATE SECTOR:	—	—	—	75,327	—	169,780	—	476,917	—	546,926
I. Metal Industry	—	—	—	—	—	—	—	56,752	—	67,935
1. Copper Smelting and Refining	—	—	—	—	—	—	—	11,070	—	12,915
Copper, Electrolytic	—	—	—	—	—	—	7,200 M.T.	9,504	8,400 M.T.	11,088
Gold	—	—	—	—	—	—	20,458 OZ.	1,432	23,868 OZ.	1,671
Silver	—	—	—	—	—	—	75,240 OZ.	134	87,780 OZ.	156
2. Surigao Nickel Smelting	—	—	—	—	—	—	—	30,651	—	37,484
Nickel, Electrolytic	—	—	—	—	—	—	3,130 M.T.	10,214	4,181 M.T.	13,644
Cobalt, Electrolytic	—	—	—	—	—	—	260 M.T.	2,293	303 M.T.	2,672
Billets, Mild Steel	—	—	—	—	—	—	114,480 M.T.	17,172	133,560 M.T.	20,034
Caustic Soda (76%)	—	—	—	—	—	—	3,888 M.T.	972	4,536 M.T.	1,134
3. Ferro-Alloy	—	—	—	—	—	—	—	13,200	—	15,400
Ferro-Chrome	—	—	—	—	—	—	2,400 M.T.	1,320	2,800 M.T.	1,540
Ferro-Manganese	—	—	—	—	—	—	12,000 M.T.	6,600	14,000 M.T.	7,700
Ferro-Silicon	—	—	—	—	—	—	9,600 M.T.	5,280	11,200 M.T.	6,160
4. Agricultural Tools & Implements	—	—	—	—	—	—	—	1,831	—	2,136
Hoes, Shovels & Rakes	—	—	—	—	—	—	22,800 Units	30	26,600 Units	35
Adzes and Hatchets	—	—	—	—	—	—	15,600 Units	23	18,200 Units	27
Plows, cultivators, and harrows	—	—	—	—	—	—	19,500 Units	1,463	22,750 Units	1,706
Push carts and wheelbarrows	—	—	—	—	—	—	9,000 Units	315	10,500 Units	368

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* a) Annual Output is based on a rising level of operating capacity as follows: first year—60%; second year— 70%; and third year and thereafter 80%.
b) Value is based on 1956 and 1957 CIF Manila (Sources: Central Bank of the Phils., Bureau of Census & Statistics & Industrial Chemicals, Faith, et. al.

	PROGRAM				PERIOD		POST PROGRAM			
	FY 1959-60		FY 1960-61		FY 1961-62		FY 1962-63		FY 1963-64	
	Quantity	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*	*Quantity*	*Value*
II. Non-Metal Industry	—	—	—	3,071	—	8,874	—	15,449	—	25,252
1. Cement	—	—	—	—	1.8 M. Bags	2,686	3.9 M. Bags	5,819	9.9 M.Bag	14,771
2. Semi-Coke (Briquetted)	—	—	—	—	—	—	—	2,493	—	2,909
Semi-Coke ("Coalite")	—	—	—	—	—	—	10,800 M.T.	1,512	12,600 M.T.	1,764
Coal Tar	—	—	—	—	—	—	1,800 M.T.	981	2,100 M.T.	1,145
3. Glass (Sheet & Plate)	—	—	—	—	6,000 M.T.	1,440	7,000 M.T.	1,630	8,000 M.T.	1,920
4. Ceramics	—	—	—	3,071	—	4,748	—	5,457	—	5,652
Floor tiles, roofing tiles & pipes	—	—	5.7 M. pcs.	342	6.6 M. pcs.	396	7.6 M. pcs.	456	7.6 M.pcs.	456
Firebricks	—	—	4,320 M.T.	1,037	7,200 M.T.	1,728	8,280 M.T.	1,987	8,640 M.T.	2,074
Sanitary Articles	—	—	3,600 M.T.	1,206	4,200 M.T.	1,407	4,800 M.T.	1,608	4,800 M.T.	1,608
Dishes & Tablewares	—	—	1,170 M.T.	216	4,875 M.T.	902	5,655 MT.	1,046	6,240 M.T.	1,154
Vetrified Clay Pipes	—	—	1,800 M.T.	270	2,100 M.T.	315	240 M.T.	360	2,400 M.T.	360
III. Textile Industry	—	—	—	33,630	—	47,707	—	74,315	—	81,584
1. Cotton**	—	—	—	33,630	—	46,657	—	72,040	—	77,909
Yarns	—	—	6.42 M. Lbs.	9,630	13.61 M. Lbs	20,415	21.97 M. Lbs.	32,955	24.03 M. Lbs.	36,045
Fabrics	—	—	48 M. Yds.	24,000	79.52 M. Yds.	26,242	118.44 M. Yds.	39,085	126.86 M.Yds.	41,864
2. Ramie	—	—	—	—	—	1,050	—	2,275	—	3,675
Fabrics	—	—	—	—	2.1 M. Yds.	1,050	4.55 M. Yds.	2,275	7.35 M.Yds.	3,675
IV. Pulp and Paper	—	—	—	—	10,800 M.T.	6,264	71,760 M.T.	41,621	83,420 M.T.	48,384
V. Food Processing Industry	—	—	—	6,204	—	36,122	—	48,173	—	61,581
1. Wheat Flour	—	—	—	—	90,000 M.T.	22,680	105,000 M.T.	26,460	150,000 M.T.	37,800
2. Food Canning	—	—	—	—	—	—	—	—	—	—
Canned foods	—	—	6,530 M.T.	6,204	14,149 M.T.	13,442	22,856 M.T.	21,713	25,033 M.T.	23,781
VI. Chemical Industry	—	—	—	32,422	—	70,813	—	135,201	—	139,102
1. Benzene Hexachloride	—	—	—	—	—	—	900 M.T.	720	1,050 M.T.	840
2. Ammonium Sulfate	—	—	—	—	—	—	—	6,709	—	7,827
Ammonium Sulfate	—	—	—	—	—	—	30,000 M.T.	5,700	35,000 M.T.	6,650
Ammonia	—	—	—	—	—	—	621 M.T.	171	725 M.T.	199
Sulfuric Acid	—	—	—	—	—	—	2,070 M.T.	838	2,415 M.T.	978
3. Ammonium Nitrate	—	—	—	—	—	—	18,000 M.T.	2,610	21,000 M.T.	3,045
4. Urea	—	—	—	—	—	—	18,000 M.T.	5,040	21,000 M.T.	5,880
5. Soda Ash Caustic Soda	—	—	—	—	—	—	—	3,510	—	4,470
Soda Ash	—	—	—	—	—	—	17,640 M.T.	1,764	20,580 M.T.	2,058
Caustic Soda	—	—	—	—	—	—	8,820 M.T.	1,746	12,180 M.T.	2,412
6. Industrial Explosives (dynamite)	—	—	—	—	—	—	1,800 M.T.	2,088	2,100 M.T.	2,436
7. Acetic Acid (Glacial)	—	—	86,000 M.T.	32,422	360 M.T.	239	780 M.T.	519	900 M.T.	599
8. Coconut Oil	—	—	—	—	187,200 M.T.	70,574	302,400 M.T.	114,005	302,400 M.T.	114,005
VII. Petroleum Refining	—	—	—	—	—	—	—	104,506	—	121,938
1. Gasoline	—	—	—	—	—	—	3.84 M. Bbls.	41,604	4.48 M.Bbls.	48,538
2. Diesel Oil	—	—	—	—	—	—	1.04 " "	9,614	1.21 " "	11,216
3. Kerosene	—	—	—	—	—	—	1.18 " "	15,180	1.38 " "	17,722
4. Gas Oil	—	—	—	—	—	—	0.51 " "	4,746	0.60 " "	5,538
5. Fuel Oil	—	—	—	—	—	—	5.39 " "	32,692	6.29 " "	38,142
6. L P G	—	—	—	—	—	—	0.04 " "	179	0.05 " "	209
7. Fuel Gases	—	—	—	—	—	—	0.07 " "	491	0.08 " "	573
VIII. Leather	—	—	—	—	—	—	1.8 M.Sq.Ft.	900	2.1 M.Sq.Ft.	1,150

** Includes Synthetic Fibers.

Table C. ESTIMATED ANNUAL FOREIGN EXCHANGE SAVING AND/OR EARNING ARISING FROM PROPOSED NEW INVESTMENTS, FY 1959-1964*

(In Thousand Dollars)

	FY 1959-1960	FY 1960-1961	FY 1961-1962	FY 1962-1963	FY 1963-1964
TOTAL	—	38,643	90,896	214,145	244,496
A. GOVERNMENT SECTOR	—	5,266	24,359	42,073	50,512
I. Metal Industry	—	5,266	24,359	42,073	50,512
1. Iron Smelting and Steel Rolling	—	4,496	20,569	41,303	46,722
2. Dock and Shipbuilding	—	770	3,790	770	3,790
B. PRIVATE SECTOR	—	33,377	66,537	172,072	193,984
I. Metal Industry	—	—	—	27,709	33,189
1. Copper Smelting and Refining	—	—	—	5,535	6,458
2. Surigao Nickel Smelting	—	—	—	14,665	17,970
3. Ferro-Alloy	—	—	—	6,600	7,700
4. Agricultural Tools and Implements	—	—	—	909	1,061
I. Non-Metal Industry	—	1,227	3,643	6,527	10,288
1. Cement	—	—	1,003	2,173	5,515
2. Semi-Coke (Briquetted)	—	—	—	1,247	1,454
3. Glass (Sheet and Plate)	—	—	654	824	942
4. Ceramics	—	1,227	1,986	2,283	2,377
III. Textile Industry	—	13,965	17,835	27,450	30,058
1. Cotton	—	13,965	17,430	26,573	28,640
2. Ramie	—	—	405	877	1,418
IV. Pulp and Paper Industry	—	—	2,986	19,740	23,064
V. Food Processing Industry	—	1,974	6,666	9,696	12,200
1. Wheat Processing Industry	—	—	2,389	2,787	4,634
2. Food Canning	—	1,974	4,277	6,909	7,566

VI. Chemical Industry	—	16,211	35,407	67,495	69,438
1. Benzene Hexachloride (BHC)	—	—	—	308	360
2. Ammonium Sulfate	—	—	—	3,355	3,913
3. Ammonium Nitrate	—	—	—	1,305	1,523
4. Urea	—	—	—	2,520	2,940
5. Soda Ash-Caustic Soda	—	—	—	1,755	2,235
6. Industrial Explosives	—	—	—	990	1,155
7. Acetic Acid (Glacial)	—	—	120	260	300
8. Coconut Oil	—	16,211	35,287	57,002	57,002
VII. Petroleum Refining Industry	—	—	—	13,173	15,379
VIII. Leather Tanning Industry	—	—	—	282	378

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* Derived from Tables A and B

Table D. ESTIMATED PRODUCTION GOALS IN MINING

(*In Thousands*)

MINERAL			*Actual*			
METAL	Form	Unit	*FY* 1957—1958	*FY*-1959—1960	*FY* 1960—1961	*FY* 1961—1962
1. Gold	Metal	OZ.	397.5	490.0	500.0	510.0
2. Silver	Metal	OZ.	467.3	550.0	600.0	650.0
3. Lead	Metal	M.T.	.9	2.7	3.0	3.3
4. Zinc	Metal	M.T.	—	1.3	1.5	1.7
5. Copper	Metal	M.T.	46.3	50.0	55.0	60.0
6. Manganese	Ore	M.T.	30.3	35.0	40.0	45.0
7. Chromite:						
a) Refractory	Ore	M.T.	507.5	550.0	600.0	700.0
b) Metallurgical	Ore	M.T.	59.4	70.0	100.0	150.0
8. Iron	Ore	M.T.	1,108.8	1,500.0	2,000.0	2,700.0
9. Nickel	Ore	M.T.	—	—	750.0	1,000.0
NON-METALLIC						
1. Coal		M.T.	150.8	500.0	1,000.0	1,300.0
2. Pyrite		M.T.	19.0	100.0	200.0	300.0
3. Lime		M.T.	1,148.3	2,000.0	3,000.0	4,000.0

OZ.—Troy ounce of 31,103496 grams.
M.T.—Metric ton of 1,000 kilos

Chapter 7

SERVICES DEVELOPMENT PROGRAM

A. Resume

The Services Development Program includes capital outlays for construction, transportation, and communications both for the public and private sectors. In this presentation, the Program is divided into: (1) Other public works; (2) Power and water supply; and (3) Transportation system and communications.

The major objective of the Program is to expand the basic capital resources of the country so as to promote the growth of agricultural and industrial production, commerce, and social development, and to provide employment, specially in rural areas. It is estimated that for construction, a total of 97,700 jobs will be provided every year. On the other hand, investments in transportation and communications will generate 48,700 new jobs during the program period.

The investment program calls for about ₱550 million every year of which about ₱175 million will be for public works. It is assumed that the magnitude of investment for public works can be adequately financed without necessarily generating an inflation, provided the basic monetary and fiscal policy measures recommended in the Finance Program are carried.

The following are the highlights of the physical goals that are to be attained during the program period:

a. An increase of more than 257,000 hectares of irrigated land.

b. Construction of 6,600 classrooms to take care of new entrants and partially alleviate existing shortage.

c. Construction of hospital building facilities to accommodate an additional 1,000 hospital beds.

d. Construction of 2,100 low-cost housing units to improve living conditions of people in the slum areas.

e. The increase of power supply in Manila and suburbs by 188,000 KW and 100,000 KW for the Maria Cristina area.

f. Construction of 98 waterworks systems, drilling of 4,200 new artesian wells and the development of 900 springs.

g. Replacement of obsolete interisland vessels to the extent of 26,800 gross tons and the addition of 154,000 gross tons to the Philippine overseas fleet.

h. The extension of the Manila Railroad Co. line to Cagayan valley.

i. The construction, among others, of 5,000 kms. of feeder roads, and the improvement of 16 national ports and 25 airports.

j. The expansion of the government telecommunications system with emphasis on service to the rural areas and the normal growth of private telephone service.

B. The Program

The attainment of a more rapid rate of economic growth depends, by and large, on the existence of the necessary basic facilities and services — power, public works, housing, water supply, transportation and communications. These facilities and services serve to stimulate and promote the growth of the productive sectors of the economy. They provide the economic and social overhead under which the programs of agricultural and industrial development will operate.

Objectives

To support fully the economic development of the country, the services program is designed to achieve the following objectives:

1) To provide the economy with adequate power supply to meet both the immediate and long-run requirements of industrial and non-industrial users;

2) To assist agricultural and industrial production by providing a system of irrigation, highways and feeder roads;

2) To help widen the market for agricultural and industrial products through an integrated system of transportation and communications, including ports and harbor facilities and overseas and inter-island shipping;

4) To provide the physical requirements of the social development program in the form of schoolhouses, hospitals, low-cost housing, and other public buildings;

5) To provide more employment opportunities especially in rural areas by absorbing idle manpower during the off season period.

The services program will require the following new capital outlays:

CONSOLIDATED CAPITAL OUTLAYS OF THE SERVICES PROGRAM
FY 1960-1962
(*In Million Pesos*)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
	Public Sector			
Other Public Works	57.3	59.8	56.3	173.4
Power & Water Supply	56.4	52.3	58.0	166.7
Transp. & Communications a/	89.7	89.4	90.4	269.5
TOTAL	203.4	201.5	204.7	609.6
	Private Sector			
Construction	209.0	244.0	256.0	709.0
Private Power	44.0	17.0	18.0	79.0
1. Meralco b/	39.0	12.0	12.0	63.0
2. Provincial Plants c/	5.0	5.0	6.0	16.0
Transp. & Communications	79.2	90.6	93.0	262.8
TOTAL	332.2	351.6	367.0	1,050.8

Current Situation

Since the end of the war, rapid progress has been made in the reconstruction and rehabilitation of the country's basic facilities and services. Within the span of five years from 1945-1950 the restoration was almost complete. Although this is considered an achievement, the resources of the country were merely utilized to replace the physical facilities that existed before the war instead of being used for expansion purposes.

Up to the end of FY 1958, 46 gravity and 138 communal irrigation systems covering 302,160 hectares and 269 pump irrigation projects serving 44,434 hectares, were undertaken throughout the country. The total installed power capacity of the National Power Corporation and private power companies increased from 124,595 in 1948 to 419,619 KW by FY 1958. Approximately, 27,100, kilometers of new highways and feeder roads have been added to the country's highways, and road systems. The number of schoolhouses and public buildings constructed and rehabilitated since the end of the war is estimated to be 30,000[1]. The Manila Railroad Company lines in Northern and Southern Luzon have been fully rehabilitated. The country's inter-island shipping has expanded to more than 98,000 gross tons consisting mainly of 142 ships, while 29 new airports have been added to our airport system. For every 322 of the population there was one telephone unit as compared to 562 in 1941.

An expanding economy with a growing population imposes additional requirements for complementary public facilities and services. More schools, hospitals, highways, housing, ports, and similar

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a/ Includes public works for transportation facilities.
b/ Includes $9.9 million for the 6th unit and $3.0 million dollars each year for other facilities. The $9.9 million to be obtained from EX-IM Bank on a deferred payment plan. Depending on actual need, the 7th unit may be installed by FY 1962.
c/ Includes $1.5 million each year for other facilities and parts.
1/ DPWC 1958 Annual Report.

facilities have to be provided on a sustaining basis. As most of these projects are undertaken largely by the government, they require public outlays every year, thus competing with other purely governmental functions for the limited financial resources of the government. In addition to this, their financing also competes for other scarce resources that would otherwise go for financing private and pubic developmental projects.

Public Works

The provision of public works is a traditional function of government. Although much has been accomplished during the past 12 years in the improvement of the physical facilities for agriculture and health, there still remains much work to be done in these fields.

Achievements in Other Public Works. As of 1957, out of 2,768,000 hectares of cultivated land planted to rice about 503,000[1/] hectares were irrigated by one type of irrigation system or another. There were also 664 existing river control projects providing protection to approximately 834,000 hectares of agricultural land. Since its establishment the PHHC has built more than 9,350 low-cost housing units located all over the country in 13 housing projects with a total accommodation of a little less than 85,500 persons. In fiscal year 1957 alone, the construction and improvement of more than 3,360 public buildings comprising of schoolhouses, hospitals and other public buildings with a total value of ₱50 million was undertaken.

Problems. Deficiency in food production is to a large extent attributable to inadequate irrigation facilities. Only about 24 per cent of the total cultivated area planted to palay is irrigated. A much smaller area planted to other agricultural crops is also irrigated.

Every year, floods wreck heavy damage to agricultural crops especially in areas along the Pampanga and Agno Rivers in Luzon. River erosion also causes serious damage to many towns and barrios due to the absence of protective works.

Lack of adequate classroom facilities to accommodate even the yearly increase in the number of school children seeking admission to the public elementary and secondary schools has been a perennial problem. This problem in a lesser degree is also true with the public vocational and technical schools.

[1/] Includes private irrigation systems.

There is persistent congestion and overcrowding in hospitals and similar health institutions. Not all of those needing hospitalization could be admitted in existing hospitals. Beds have to be set up in corridors and non-ward areas in many hospitals because of limited physical accommodations.

Many government offices are highly congested, thus impairing health and efficiency. This is true not only in national government offices but also in provincial and municipal government offices.

Slums and squatter areas abound in the suburds and in the cities particularly in Manila. They do not only result in many health and sanitation problems but also create potential breeding places for crime and delinquency.

Objectives. At least to alleviate those conditions, the public works program aims to achieve the following objectives:

1. To provide an expanded program of irrigation systems of all types fully integrated with an accelerated agricultural program;
2. To minimize, if not avoid, the disastrous effects of floods, and river erosions;
3. To provide for the minimum requirements of the public education, health and sanitation programs;
4. To provide more low-cost housing facilities to people living in slum-squatter areas;
5. To relieve the overcrowded condition in government offices in both national and local levels.

To achieve these objectives, the public works capital outlays for the program period will be along the following magnitudes:

OUTLAYS FOR OTHER PUBLIC WORKS PROGRAM
FY 1960 - 1962
(*In Million Pesos*)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
Irrigation a/	36.1	37.0	28.5	101.6
1. Gravity	32.4	33.3	24.4	90.1 b/
2. Communal	2.0	2.0	2.0	6.0
3. Pump	1.7	1.7	2.1	5.5
Flood Control	4.6	4.6	8.5	17.7 b/
Housing (PHHC)	2.0	2.5	3.0	7.5
Public Buildings	14.6	15.7	16.3	46.6
1. Elementary & Barrio Schools	10.0	10.0	10.0	30.0
2. Vocational Schools	1.6	1.7	1.8	5.1
3. Hospitals & Sanitaria	2.0	3.0	3.0	8.0
4. Presidencia	1.0	1.0	1.5	3.5
Total	57.3	59.8	56.3	173.4

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a/ In the Program for FY 1957-61, irrigation was included in the Agricultural Development Program.

b/ Includes the dollar component for the Marikina Multi-Purpose Project, ($2.0 million for irrigation; $1.5 million for flood control) to be obtained from loan on a deferred payment plan with Reparations as guarantee.

Recommendations. On the basis of the foregoing conditions, the following measures are recommended:

1. Construction of new and the improvement of existing irrigation systems in areas where increased production can be undertaken at relatively lower costs by expanding the irrigated areas from the present 705,000 [1/] hectares to 962,000 hectares or an increase of more than 257,000 hectares.

2. Construction of more river control projects will be undertaken particularly along the Agno and Pampanga Rivers to help in flood control and minimize the damage to agricultural lands and urban properties. In Manila, dredging of esteros will be undertaken to partially solve the damage caused by floods to private and public properties.

3. Construction of an average of 2,200 classrooms for each year of the program period, to take care of new entrants and to alleviate overcrowding due to serious shortage of classrooms in the elementary and primary schools. Facilities in vocational and technical schools will be improved.

4. Construction of hospital facilities to accommodate 1,000 hospital beds during the program period. This will entail the construction of new hospital buildings and expansion of existing ones.

5. Construction of about 2,100 low-cost housing units in three years to improve the living conditions of people in the slum-squatter areas.

Power and Water Supply

Adequate power and water supply is basic to an expanded economic and social development program. The growth of industries and the rising standard of living require a corresponding expansion in the supply of power and water.

The power supply program covers the development of the NPC integrated power systems particularly in Manila and the Maria Cristina areas, the two major industrial centers of the country; the Meralco power system in the Manila Metropolitan area, and the private plants in the provinces.

Achievements in Power and Water Supply. At present, there are 15 major hydroelectric plants owned and operated by the NPC with a total capacity of 168,750 KW. In addition, the Meralco has 3 power plants with a total capacity of 186,000 KW. The total power capacity of all the independent provincial power systems is about 65,000 KW. Hence, the total available power capacity of the entire country is about 420,000 KW.

1/ Includes private irrigation systems.

As of the middle of 1958, there were 657 waterworks systems spread over the country providing potable water to more than 5.7 million people. More than 13,500 drilled wells and 618 developed springs serve approximately 3.5 million and 700,000 people, respectively. The country's existing waterworks systems, artesian wells and developed springs serve a total of about 9.9 million people out of a population of more than 23 million.

Problems of Power and Water Supply. The maximum power supply for Manila and suburbs estimated at 282,000 KW is slightly less than the peak requirement of 290,000 KW which occurs during the months of November and December. It is estimated that the demand for power within the area, which is the principal industrial center of the country, will increase by about 12 per cent every year for the next three years. Hence, to meet this increasing power demand, the present power capacity will have to expand correspondingly.

The present power supply in the Maria Cristina area is 50,000 KW which is adequate to meet the present demand of about 32,000 KW. However, NASSCO will soon set up a steel mill which has an additional power requirement of 92,000 KW by 1962. Developments in the Maria Cristina area indicate that the area is fast becoming another industrial center particularly for heavy industries due to the availability of relatively cheap power. With this trend of development, the Maria Cristina system may have to increase its power capacity to 150,000 KW during the next three years. The power capacity of provincial systems of about 65,000 KW is not adequate. These systems are costly to operate and give inefficient service in spite of excessive power rates charged to consumers.

The country's supply of potable water can only serve 43 per cent of the population. About 13.4 million people, especially in the rural areas, do not have safe and potable water. With respect to water for industrial uses, the fact that industrial plants are invariably located in or around Manila and the larger urban centers, their heavy water consumption poses an acute problem. The water supply has to be expanded to meet the requirements of new industrial plants and the increase in population in these areas.

Objectives. In accordance with these considerations, the power and water supply program is premised on the following objectives:

1. To develop the power capacity of the country to support the industrial development program and to meet the increased demand of households;

2. To transmit and make available cheap power to the rural areas and at the same time foster the growth of cottage industries;

3. To supply potable and safe drinking water to as many people as possible in order to safeguard their health; and

4. To provide the water requirements of the industrial development program.

To achieve the above objectives, the power and water supply program will require the following capital outlays:

OUTLAYS FOR POWER AND WATER SUPPLY
FY 1960 - 1962
(In Million Pesos)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
Power Development (NPC)	36.4	26.2	23.6	86.2 a/
Private Power	44.0	17.0	18.0	79.9
1. Meralco b/	39.0	12.0	12.0	63.0
2. Provincial Plants c/	5.0	5.0	6.0	16.0
Water Supply	20.0	26.1	34.4	80.5 a/
1. Waterworks	15.9	22.0	30.3	68.2
2. Artesian Wells	3.8	3.8	3.8	11.4
3. Spring Development	.3	.3	.3	.9
Total	100.4	69.3	76.0	245.7

Recommendations. 1. In order to meet the increasing power requirement in Manila and the suburbs, completion of the Binga power project and the construction of the Marikina Multi-Purpose project are recommended. These two projects will increase the available power supply of the area by 128,000 KW exclusive of the 60,000 KW additional power capacity that Meraclo will install in this area during the program period.

2. To meet the increasing power demand in the Maria Cristina area, the construction of Maria Cristina power units No. 3 and 4 with a total capacity of 100,000 KW are proposed.

3. In line with the community development program, the construction of small hydroelectric power plants with a total capacity

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a/ Includes the dollar component for the Marikina Multi-Purpose Project ($9.3 million for power; $6.6 million for water supply) to be obtained from loan on a deferred payment plan with reparations as guarantee.

b/ Includes $9.9 million for the 6th unit and $3.0 million each year for the other facilities. The $9.9 million to be obtained from EX-IM Bank on a deferred payment. Depending on actual need, the 7th unit may be installed by FY 1962.

c/ Includes $1.5 million each year for other facilities and parts.

of 6,200 KW and the extension of NPC transmission lines to the rural areas are recommended.

4. To serve more people with potable and safe water, the construction and improvement of 98 waterworks systems, the drilling of 4,200 new artesian wells and the development of 900 springs are likewise recommended.

TRANSPORTATION SYSTEM AND COMMUNICATIONS. The mobility of goods and people depends upon the adequacy of the country's system of transportation and communications. By the same token the extent of the utilization of a country's resources depends to a large measure upon the ease by which these resources could be moved at reasonable costs, from places where they are relatively abundant to places where they are scarce. Thus, any program of accelerated development will rely as a consequence on a clearcut program of transportation and communications.

Achievements in Transportation System and Communications. The network of roads and highways of the Philippines as of the end of fiscal year 1958 consisted of more than 51,200 1/ kilometers. The system is made up of national highways, secondary and feeder roads. As of the same date, our portworks systems had 64 national ports, 209 municipal ports, and 277 lighthouses. The country's airports system consisted of a total of 59 national airports actually operating and several airways systems.

In 1957 there were in the country a total of 149,933 motor vehicles in the form of trucks, cars and other types of vehicles. The ratio of motor vehicles to roads was 4.6 motor vehicles per kilometer of road as compared to 2.3 before the war. Our inter-island shipping fleet was mainly made up of 142 vessels with an aggregate tonnage of 98,000 gross tons while the overseas shipping fleet consisted of 11 vessels under Philippine registry with a total tonnage of more than 55,500 gross tons, carrying approximately 3 per cent of the country's total foreign trade. The air transportation system was equipped with 32 crafts of different types, Viscounts to helicopters, serving the country's major population centers. With the rehabilitation of the MRR Co. the railroad is now operating on 964 kilometers of tracks with 2,400 units of rolling stocks of various type.

Private telephones in service in 1957 numbered 60,711 units located in 9 leading cities and towns. The government telecommunication system has a network covering 18 chartered cities. Radio telephone and telegraph lines give service to 900 of the 1,300 mu-

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1/ Includes 16,000 km. of municipal roads. BPH Annual Report, FY 1958.

nicipalities of the country.

Problems. Because of the inadequacy of the road network, production in some secluded agricultural areas is often limited to the immediate needs of the local population. When production in these areas reach levels beyond local needs, the excess is either sold at very low prices or are fed to animals.

Port and harbor facilities are also inadequate to cope with the increased volume of products and commodities handled by them. Areas around ports and harbors are hazardous to shipping due to silting. In some places, products from inland areas cannot be transported to centers of distribution and consumption due to lack of ports and harbors.

Each year the country pays an average of $61 million for the use of foreign vessels in the transportation of goods that enter its foreign trade. Until recently, there was a serious shortage of bottoms to transport our principal export products. Freight costs of both our exports and imports have been very high due to conference rates.

While the coastwise tonnage is adequate, most of the ships are old and in need of replacement. This accounts for the expensive operating costs and the high cargo and passenger rates.

There is need for more motor vehicles such as trucks and buses. The railway system needs further modernization and extension to other areas, such as Cagayan Valley.

The demand for private telephone service in Manila and other principal towns and cities has increased so fast that there is now a backlog of 20,000 units. Moreover, the yearly increase in the demand for additional telephone connections average 7,400 units. Only 18 of the chartered cities are served by the government telecommunication system. The government radio telephone and telegraph system operates under uneconomical conditions because they are composed of old army surplus equipment.

Objectives. The transportation and communications program, balanced in terms of land, sea and air facilities, will have the following objectives:

1. To facilitate the movement of farm products from the areas of production to the markets;

2. To increase the number of motor vehicles especially trucks and trailers in order to facilitate the movement of goods and services that are expected to follow the development of agriculture, industry, trade and commerce and social services;

3. To gradually replace and rehabilitate the present bottoms in inter-island shipping with more efficient and economical units;

4. To expand the railroad lines to areas where such expansion is economically feasible and to modernize the present system to make it cheaper and more efficient to operate; and

5. To expand the existing system of communications as will be demanded by commerce and industry and a rising level of living.

The achievement of the above objectives require the folowing investment outlay:

OUTLAYS FOR TRANSPORTATION SYSTEM AND COMMUNICATIONS PROGRAM

FY 1960 - 1962
(In Million Pesos)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
Transportation System:	147.2	158.5	164.2	469.9
A. Facilities a/	62.6	64.2	64.2	191.0
1. Highways	46.9	48.7	45.0	140.6
Development Roads	9.0	9.0	9.0	27.0
Feeder roads, Sec. & Narra Rds.	10.0	10.0	10.0	30.0
Main routes & others	21.3	23.1	25.0	69.4
Equipment Shop	6.6	6.6	1.0	14.2
2. Portworks	9.7	8.5	11.2	29.4
National Ports	3.5	5.0	6.0	14.5
Municipal Ports	2.5	3.0	3.5	9.0
Shore protection	3.7	0.5	1.7	5.9
3. Airports & Airways	6.0	7.0	8.0	21.0
Airports	5.0	5.5	6.0	16.5
Airways	1.0	1.5	2.0	4.5
B. Transportation Units	84.6	94.3	100.0	278.9
1. Motor	30.0	30.0	30.0	90.0
2. Shipping	37.1	45.9	48.5	131.5 b/
a. Coastwise	4.5	5.0	5.0	14.5
b. Overseas	32.6	40.9	43.5	117.0
3. Air	4.1	6.7	6.5	17.3
4. Railways (MRRCo.)	13.4	11.7	15.0	40.1 c/
Communications:	21.7	21.5	19.2	62.4
A. Private Telephone	8.0	8.0	8.0	24.0 d/
B. Government Telephone (Telegraph & Radio)	13.7	13.5	11.2	38.4 c/
Total	168.9	180.0	183.4	532.3

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a/ These public works are included for an integrated treatment of the transportation system.
b/ Investment is wholly from reparations ($51.4 million) and Ex-Imp. Bank, Japan ($10.8 million).
c/ Includes the dollar component of $7.5 million for MRRCo. from reparations; $7.8 million for gov't. telecommunications on a deferred payment plan with reparations as guarantee.
d/ Dollar component of $6.0 million to come from Central Bank. Other foreign loans that may be obtained are not included.

Recommendations. To remedy the various problems in the field of transportation system and communications, the following measures are recommended:

1. To partially take care of the depreciation of existing motor vehicles and the replacement of trucks and buses that are no longer serviceable, foreign exchange should be made available for the importation of spare parts and trucks preferably the diesel type.

2. To help solve the traffic problem in Manila, jeepneys should be gradually replaced by medium sized buses with definite main routes running from one end of the city to another;

3. To provide for the replacement of obsolete inter-island vessels to the extent of 26,800 gross tons during the three-year period. Simultaneously, amendment of the Coastwise Shipping Act, RA 1909 is recommended by reducing the 20 per cent down payment on the acquisition of new boats to 10 per cent of the cost upon execution of the contract with NASSCO for the construction of such vessels;

4. In the implementation of the Reparations Act, RA 1789, shipping construction materials and equipment should be made available to NASSCO for the construction of coastwise vessels and watercrafts, provided that the construction cost of such vessels shall be on a cost plus basis;

5. To amend Section 5 of RA 1407 otherwise known as the Philippine Overseas Shipping Act of 1955 by increasing shipping loans to 90 per cent of the cost of vessels instead of 75 per cent as provided for in said act and to acquire 154,000 GT of overseas fleet;

6. To provide for the financing of the extension of MRRCo. lines to the Cagayan Valley and the modernization of its existing facilities. This will open up for development one of the richest valleys in the country and reduce freight rates from ₱0.24 to ₱0.06 per ton-kilometer. Capital investment of about ₱78.0 million can be recovered within 22 years exclusive of benefits due to the cumulative increase in national income;

7. To construct, among others, 5,000 kilometers of feeder roads, and to improve and complete the construction of 16 national ports and 25 airports;

8. To coordinate the development of the country's transportation system, by the implementation of Reorganization Plan No. 60 creating an Office of Transportation Planning in the Department of Public Works and Communications; and

9. To provide for the program of expansion of the Government Telecommunication System through Reparations, simultaneously with the normal growth of private telephone service.

Chapter 8

TRADE AND COMMERCE DEVELOPMENT PROGRAM

A. Resume

The significance of the trade sector to the national economy is indicated by its contribution in 1957 of ₱1,048 million or 11.9 per cent of the total national income.

Foreign Trade. — The country's most serious problem today is the shortage of foreign exchange due to our recurring foreign trade imbalance. The solution to this problem calls for drastic reforms. With the gradual loss of the United States market, it is imperative that we should carry on aggressive sales drive and trade promotion activities in European, South American and Asian markets.

Since 1945, the Philippine economy has been characterized by a persistent deficit in her balance of trade account, reaching the largest imbalance of ₱676 million in 1949, thus forcing the country to institute exchange and import controls.

Despite the liberalization of the Bell Trade Act under the Laurel-Langely Agreement, the direction of the country's foreign trade tended to change. There is a noticeable shift in its direction from the United States to the Japanese, European and South American markets.

Domestic Trade. — During the last few years, greater Filipino participation in domestic trade has been noted. This has been brought about particularly by the Retail Trade Nationalization Law, the Retailers' Fund Act, the activities of the NAMARCO, the ACCFA and the rural banks.

Problems. 1. The traditional colonial pattern of the country's foreign trade.

2. Inadequate protection to export and infant industries.

3. Lack of organized marketing systems for the smooth geographical movement of goods and services.

4. Alien control of the country's foreign and domestic trade.

Recommendations. The following steps are, therefore, strongly recommended:

1. Positive inducements to producers and exporters.
2. Adoption of a multiple currency reserve system limited to a few stable and de facto convertible foreign currencies.
3. Foreign market surveys and trade promotion activities in principal world markets and judicious trade arrangements with our major co-trading countries.
4. Effective application of the tariff system for the protection of infant industries and the encouragement of new ones.
5. Re-orientation program for commerial attaches and consular officials.
6. Promotion of tourism through wider publicity, improvement of tourists spots, easing of customs regulations and improved hotel facilities.
7. Encouragement of greater Filipino participation in our domestic trade through more liberalized credit facilities and more extensive support and patronage by government agencies.

B. The Program

The Current Situation

Income originating from the trade sector increased by 10 per cent in 1957 compared to 1956. In 1956, however, compared to the previous year, the rate of increase was 10.7 per cent. The slackening of growth in 1957, by 0.7 per cent was accounted for by the corresponding percentage drop in the growth of increase in the other sectors of the economy, which was particularly notable in agriculture, manufacturing, construction and transportation.

The contribution of the trade sector to the national economy amount to ₱1,048 million in 1957. In absolute terms, this meant a rise of ₱95 million over the ₱953 million of the previous year.

Foreign Trade. — Since 1945, Philippine foreign trade has been characterized by a persistent deficit in her balance of trade account. More likely, this deficit may prevail in 1958. While export earnings improved gradually during the period under review, import expenditures moved more rapidly upward outpacing the rate at which export income had been expanding.

The year 1949 exhibited the largest deficit amounting to ₱676 million. In view of the dangers posed by the further deterioration of the country's balance of trade position, Congress enacted the import control law, resulting in the following year to a drastic narrowing down of the unfavorable gap between imports and exports which amounted to only ₱22 million. After 1950, however, the deficit showed erratic movements, tending, by and large, to grow much wider than the 1950 low.

In absolute terms, both exports and imports expanded generally from 1950 to 1957. As ratios of total trade, however, exports exhibited a declining trend while imports moved up at a more rapid rate. This reversed trend accounted for the recurring deficit in the country's balance of trade and the worsening level of the international reserves.

Although imports had been expanding to a tremendous extent, there appears to be one redeeming feature. This is the gradual shift taking place in the composition of imports, constituting more and more imports of capital goods and raw materials and less and less of consumption goods. This shift is particularly notable when viewed in absolute terms.

During the last two or three years, the country's imports tended to expand further despite the fact that substitutes are already being produced in the home market. The country's import pattern follows: manufactured goods classified by materials consisting of textile yarns, fabrics, made-up articles and related products; base metals; paper and manufactures; metal manufactures; non-metallic minerals, etc; machinery and transport equipment; foods such a dairy products, eggs, and honey, cereal and cereal preparatoins, fish and fish preparations, meat and meat preparations, etc.; chemicals; mineral fuels and lubricants; beverages and tobacco, animal and vegetable oils; and other miscellaneous items. The total value of such imports reached1/ ₱1,229.2 milion in 1957 against the 1956 record of only ₱1,012.9 million or a rise of 21 per cent. Imports in 1957 even surpassed the previous 1949 high at ₱1,171.8 million or by ₱57.4 million.

Exports earnings also showed a gradually upward movement since 1949. What may be noted, however, was the sudden upward spurt in 1951 compared to the previous year, making a gain of ₱192.8 million or 29.1 per cent. This is particularly attributed to the effects of the Korean War. From the 1951 level of ₱854.9 million export income fell by ₱163.5 million or 19.1 per cent in 1952, gradually recovering and moving upward through the years, reaching ₱902.2

1/ Table 51, p. 85. C.B. Statistical Bulletin, June, 1956.

million in 1956. From this level, export income in 1957 fell by ₱44.3 million or 4.9 per cent. Although export earnings moved generally upward in absolute terms, they exhibited a reverse downward trend as ratios of total trade.

The composition of the country's export by commodity group maintains the same traditional pattern. Lately, however, wood, bamboo and rattan have improved in the scale of exports due to the increasing demand for plywood and veneer, particularly in the United States markets. Major export earnings, on the other hand, declined in 1957 compared to the previous year with the fall being led by sugar and related products (₱32.0 million) logs and lumber (₱7.5 million), minerals and metals (₱6.1 milion), coconut and coconut preparations (₱6.1 million) and fruits and fruit preparations (₱2.2 million). A rather distinct feature of the country's export trade, especially with the United States, is the country's inability to fill some of the quotas agreed upon. In 1957-58, only 2.57 per cent of the quota for cigar was filled and 50.05 per cent for coconut oil; while we practically covered those for scrap and filler tobacco and cordage and could have sold more than the sugar quota, if it were permissible.

Generally, earnings from all major exports declined in 1957 compared to 1956 with the exception of abaca fiber, desiccated coconut, chromite and pineapple. Despite favorable world prices for the major export items, their values declined due to the fall in volumes. In 1957, sugar experienced a 3.5 per cent rise in price and a 20.2 per cent fall in quantity; copra, a 0.8 per cent rise in price and 11.4 per cent fall in quantity.

Since 1953, there has been a serious deterioration in the country's terms of trade. While the net terms of trade stood at 117.5 in 1953, (1955 — 100), it sunk to as low as 98.5 in 1957. The gross barter terms of trade, however, rose from 96.7 to 102.5 during the corresponding years. Between 1956 and 1957, export prices increased by 1.6 per cent but this had been negated by a higher rise in import prices to the extent of 3 per cent.

Apparent shifts are noted in the direction of the country's foreign trade. Trade with the United States, which is the country's principal market, fell substantially in 1957 compared to the 1953 level, tending to move towards the direction of the Japanese, South American and European markets. Although trade with the United States still composes the bulk of Philippine foreign trade (about one half), trade during recent years with Japan and the Netherlands has been showing noticeable improvements.

Domestic Trade. — The extent of domestic trade activity may be gauged, although in a very limited manner, on the Central Bank data on Gross Sales and/or Receipts of 1,172 leading business establishments. Sales activity expanded in 1957 compared to 1956. Gross sales index (1955 — 100) for all items increased from 110.7 to 120.5 or by 8.9 per cent. Of the sectors covered, the utilities group took the lead increasing from 109 in 1956 to 126.5 in 1957 or by 16.1 per cent. This was followed by construction increasing from 119.5 to 135.5 or 13.4 per cent and consumers gross sales which rose from 111 to 121.8 or by 9.7 per cent. That for transport, storage and communicatons rose from 114.4 to 122.7 or by 7.3 per cent and services from 120.1 to 132.5 or 10.3 per cent. In mining and quarrying' however, the index fell from 117.3 to 105 or by 10.5 per cent.

The expansion in the utilities group was due to the increase in the sales of electricity, gas and steam of more than 18 per cent in 1956 compared to the previous year. In manufacturing, sales activity was led by basic metal industries (67.9 per cent) followed by transport equipment (28.8 per cent), manufactures of machinery (28.3 per cent), wood and cork (26.7 per cent), printing and allied industries (23.3 per cent), rubber products manufactures (17 per cent), tobacco manufactures (16.1 per cent), and the manufactures of other items (ranging from about 4 to 8 per cent). Sales in the manufacturing group, however, declined in wearing apparel (11.5 per cent), furniture and fixtures (8.8 per cent), non-metallic minerals (7.9 per cent) and a few other items.

The above increases in gross sales and/or receipts reflected on the commerce; transport, storage and communications; and the services sectors of the economy.

The sales increase in commerce was largely attributed to real estate recording an increase of 16.1 per cent, wholesale trade 10 per cent, insurance 16.1 per cent, and retail trade 9.8 per cent. Although sales increased in transport (8.4 per cent), a sudden decline in storage and warehousing (75.6 per cent) was registered. An increase in personal services to the extent of 22.1 per cent was also noted.

During the last few years, greater Filipino participation in domestic trade has been noted. This was brought about particularly by the Retail Trade Nationalization Law as well as the Retailer's Fund Act. Later on, however, this was given support by the NAMARCO by making available to Filipino wholesalers and retailers marketable goods, and by the ACCFA and the Rural Banks by extending small loans for the purpose. With regard to trade in agricultural products, the ACCFA, CCE and the FACOMAS have been highly instrumental in improving the marketing set-up.

Since the implementation of the Retailers' Fund Law, 20,921 retailers have applied for loans. Of this number, 15,792 retailers were granted a total loan of ₱22,374,585. The Retailers' Fund has greatly helped the Filipino retailers in their purchases of consumers' goods, especially from importers who are required by law to reserve at least 30 per cent of their total imports of prime commodities for Filipino retailers.

Data compiled by the Bureau of Commerce revealed that out of the 999 bona fide Filipino retailers registered during 1957, 954 retailers took advantage of the 30 per cent reserve portion of imported prime commodities valued at ₱1,536,512.21

Tourism. — Tourism is becoming more and more important to the Philippine economy. Tourist traffic and tourist dollar receipts from 1952 to 1957 are shown in the following table: 1/

Year	*Volume Of Traffic*	*Per Cent Change*	*Receipts from Foreign Tourists*	*Per Cent Change*
1952	10,330		$ 125,324.11	— — —
1953	11,634	+ 12.6	628,695.20	+ 401.7
1954	14,965	+ 28.6	961,860.93	+ 53.0
1955	16,785	+ 12.2	985,026.16	+ 2.4
1956	20,416	+ 21.6	1,554,421.55	+ 57.5
1957	26,053	+ 27.6	955,053.14	— 38.6

In 1957, tourist traffic increased by more than 27 per cent over the previous year, although receipts suffered a decline by about one-third. The height of tourist expenditures of $1.5 million in 1956 only represents 0.22 per cent of the country's foreign exchange receipts on current account.

Problems and Prospects

The most serious problem which faces the country now is one of foreign exchange the shortage of which sets a limit to the rate of capital formation and economic growth that could possibly take place. The approach to the mitigation of this problem may be conceived of in two ways: one is how to increase the foreign exchange earning capacity of the country by expanding and diversifying export production and trade, and the other is how to reduce or keep foreign exchange expenditures within the foreign exchange earning capacity of the country and at the same time support a reasonable rate of capital formation and economic growth. The real solution to the problem would call for drastic reforms not only in the field of foreign exchange but also in the monetary and fiscal fields.

1/ Report from the Tourists Bureau.

With respect to foreign trade *per se,* the current problem is the gradual loss of the preferential treatment of the country's exports in the United States market. During the current year, the country's exports goods pay a tariff duty of 5 per cent of the ordinary customs duty up to December 31, 1958; increasing to 10 per cent beginning January 1, 1959 to December 31, 1961; 20 per cent beginning January 1, 1962 to December 31, 1964; 40 per cent beginning January 1, 1965 to December 31, 1967; 60 per cent beginning January 1, 1968 to December 31, 1970; 80 per cent beginning January 1, 1971; 100 per cent beginning January 1, 1974 to July 3, 1974. This gradual loss of preferential treatment would call for an adjustment in the cost structure of exports, the diversification of the country's export production pattern, the development of other world markets, and the improvement of the quality and standard of export products. Considering the competition that many of the country's exports face in the world market, the prospect of improvement in export receipts does not appear bright unless measures are resorted to in reducing production cost and improving quality. On the import side, however, increasing foreign exchange expenditures are noticeable. The pressure of expanding money incomes which induces an increasing demand for consumption imports hinders the extent to which growth could take place.

The shortage of foreign exchange brought about by a recurring excess of import expenditures over export receipts poses the most serious problem to economic development.

As regards domestic trade, marketing problems confront some areas due to the inadequacy of transportation facilities, both land and sea; the lack of farm-to-market roads in out-of-the-way rural areas; the insufficiency of credit facilities to a certain extent; and the need for a better rice and corn buying and selling scheme which is a particular concern of the government. Low cereal prices during harvest season, especially in Mindanao and Central Luzon, cause difficulties in warehousing, transportation, and government buying.

In home industries, the problem lies in the improvement of the quality of cottage crops and their standardization. To a certain extent, marketing also poses a problem in increasing production.

The Trade and Commerce Plan

The trade problems given above serve as the framework in formulating the trade and commerce plan. The plan treats the problems of both foreign and domestic trade and the anticipated improvements in the physical distribution of goods. What should be noted, however, is the delimitation of the legitimate trade sector in the overall economic plan in view of the fact that problems attendant to trade are already treated and included in other sectoral programs. Transportation, communications, public works, and warehousing measures, for example, are included in the services program; credit and foreign exchange in the finance program; import substitution and displacement schemes in both the agricultural and industrial programs; and the like.

The trade plan, therefore, sets forth in a very limited manner the proposed contribution of the sector to national economic development.

Objectives. The following objectives serve as the framework in the formulation of the trade and commerce program.

1. To provide a better marketing system for the smooth geographical movement of goods and services in general.
2. To promote the expansion and diversification of the country's foreign trade through more effective cost reduction and trade promotion schemes.
3. To afford better protection to infant industries by means of the tariff.
4. To help expand Filipino participation in the country's foreign and domestic trade.

As indicated elsewhere in the plan, measures for the improvement of the marketing system rely largely on the corresponding improvements in transportation, the country's road network and warehousing to a certain extent. These measures are already included in the services program. The achievement, therefore, of the aforestated objectives only considers steps to be taken other than those already included in the other sectors. Largely, the trade and commerce plan is a policy plan.

Recommendations. In order to expand and diversify our markets the following are recommended:

1. To widen the market for the country's exports, re-orientation program for commercial attaches and consular officials should be started. From the standpoint of the economy, these officials should know what exports to sell abroad, their prices in the Philippines, their suppliers, and the like, to be able to promote foreign sales. Similarly, they should also know other foreign suppliers of the same export goods competing with Philippine exports in the same world market

and conduct market surveys as to world demand, prices, cost, quality, etc. to be able to determine what position Philippine exports should take.

The selection of additional commercial attaches and consular officials should be based largely on their qualifications, the larger determinants of which would be economics, international trade, and political science background. For those who are in the service, and for new recruits to the foreign service, a re-orientation and training program is prescribed.

To put into effect the above recommendation, a Committee on Foreign Trade Promotions shall be created to be composed of a representative each from the Department of Foreign Affairs, the Department of Commerce and Industry, the Central Bank and the National Economic Council, the Committee Chairman to be selected by the members themselves. The Committee shall, among others, determine the manner by which re-orientation and training of commercial, attaches and consular officials shall be conducted, draft the manual of instructions, and cause to be prepared statistical and economic literature which will help promote the expansion of foreign trade.

2. To reduce the cost of production and improve the competitive position of major exports in the world market, an export quota retention scheme to the extent of 20 per cent of export receipts is strongly recommended. Retained export quotas should be in the form of foreign exchange certificates of different denominations to be held only within a period of six months. Foreign exchange certificates, which shall be transacted in the free market, shall only finance additional imports of capital goods, raw materials and essential consumption goods.

This is deemed the best incentive for export expansion and diversification.

3. To further widen the market for Philippine exports including sources of Philippine imports, a multiple currency reserve system limited to some stable foreign currencies is recommended. This approach will widen opportunities for trading in currencies other than the dollar and offset the difficulty of conducting trade with the non-dollar bloc.

4. The Department of Commerce and Industry shall initiate and foster the growth of Philippine private organizations in both foreign and domestic trade by providing available governmental technical services and facilities to them.

5. The tariff shall be resorted to as a means of providing protection to infant industries and foster their growth instead of tax

exemption and other subsidy schemes which mean a loss of revenue on the part of the government.

6. To improve the rice and corn buying and trading functions of the NARIC, ₱20 million is provided for. This recommendation is already considered in the agricultural development program.

7. Tourist promotional literature must be supplied to Philippine consular and other offices abroad. The improvement of tourist spots and facilties is also being indicated, priority to be given those areas accessible to Manila.

For this purpose, the sum of ₱1 million shall be appropriated annually for the next two years or a total of ₱4 million for the improvement of other tourist resorts, principally the Manila area, Corregidor, Laguna and Batangas areas, Northern Luzon and the Bicol areas. Priority for the second and third year tourist resort development program shall be given to the reconstruction and restoration of the gates and bastions of Intramuros; the reconstruction of the Manila aquarium and the botanical garden; the opening of the Maculo Falls in Laguna; the provision of rest houses and other tourist facilities in Corregidor; the construction of Mt. Data Lodge in Banaue; the construction of tourist facilities in or near the Hundred Islands in Pangasinan; the provision of tourist facilities in Mt. Bulusan Lake in Sorsogon and other tourist areas accessible to Manila. The construction of the Zoological Garden on Harrison Park, which is being undertaken by the City of Manila and the construction of the Rizal Centennial on the Luneta to include a theater and house of National Museum and the National Library, will also expand tourist attractions in the Manila area.

8. For the promotion and development of cottage industries, the sum of ₱500,000 shall be provided the Home Industries Division, Bureau of Public Schools, in the form of a revolving fund to be used in the outright purchase and sale of quality home industries products. Such products may be sold direct to private traders or consumers by the Home Industries Division or to NAMARCO for resale, either locally or abroad, giving due allowance for a certain rate of mark-up to cover marketing expenses. The Bureau shall exert effort to improve the quality, update designs, and standardize, as much as possible, cottage-craft products which have a ready market.

For the marketing of cottage industries products by the NAMARCO, the sum of ₱1 million shall also be provided in the form of a revolving fund to absorb immediately finished cottage products which can keep up with prescribed standards.

It is anticipated that the marketing assistance being extended to cottage craft producers by both the NAMARCO and the Bureau of Public Schools will be strongly coordinated.

The implementation of the foregoing policy recommendations in the trade plan is believed sufficient to give due support to the anticipated rate of economic development in the overall plan.

Supplementary Recommendations

(1) Explore all possibilities of deferred payment arrangement in the importation of capital goods and indispensable raw materials with highly industrialized countries of the Free World.

(2) Take full advantage of the provisions of United States Public Law 480 in order to minimize the use of scarce foreign exchange in the acquisition of capital goods, raw materials and even essential consumer goods.

(3) Manufacturing firms enjoying tax exemption under R.A No. 901 should be required to channel the distribution of their products up to at least 50 per cent of their actual output through NAMARCO or any organized Filipino distributors, including contractors, to ensure greater and effective participation of Filipinos in our domestic trade, as envisioned in various acts of Congress such as Commonwealth Act No. 565 — "Cooperative Administration office" and Republic Acts Nos. (a) 663—"National Rice and Corn Corporation (NARIC), (b) 821 — "Agricultural Credit Cooperative Financing Administration (ACCFA)", (c) 1180 — "The Nationalization of Retail Trade, (d) 1345 — "National Marketing Corporation", and (e) 2023 — "The Creation of Wholesale Cooperative Associations and Cooperative Banks".

(4) Republic Act 2023 sponsored by the National Economic Council whose purpose is to create the Wholesale Cooperative and the establishment of Cooperative Banks should be implemented at once in order that more non-agricultural cooperatives can be promoted and established.

(5) The functions of the government entities promoting Domestic Trade namely, the Bureau of Commerce, the Cooperative Administration Office (CAO), the National Marketing Corporation (NAMARCO), the Agricultural Credit and Cooperative Financing Administration (ACCFA), the National Rice and Corn Corporation (NARIC), and the

Philippine Coconut Administration (PHILCOA) should be coordinated and synchornized so that overlapping and duplication of functions may be avoided. For the purposes of coordination, a representative of the National Economic Council (NEC) should sit in their respective Board and Staff meetings, as an observer.

Chapter 9

SOCIAL DEVELOPMENT PROGRAM

A. Resume

The purpose of economic development is social welfare. Economic progress only gains meaning as such progress enables the people to lead a fuller and more satisfying life. Where the economic base is inadequate and available resources are limited, it is necessary in the utilization of such resources, to give priority to economic programs without of course sacrificing the minimum standards of life and health.

The objectives of social development are:

1. To provide the necessary cultural adaptations to encourage enterprise, innovation of growth;
2. To increase the level of human efficiency;
3. To effect in the longer run a more reasonable distribution of national wealth and income; and
4. To mitigate whatever adverse effects may result from changing economic and social conditions.

The program of social development assumes that the provision of social services is largely a governmental function and embraces action in the areas of education, health, manpower utilization and labor welfare, social welfare, community development and public management.

In education, the program recommends facilities for the children who will reach school age during the program period; the training and employment of 500 science teachers and the provision of well equipped laboratories for the teaching of science in schools; the establishment of 6 agricultural schools and a Development and Settlement Program for agricultural graduates as well as the improvement of staff and facilities for other vocational fields; the further improvement of university education, the establishment of a graduate program in Engineering and the encouragement of endowments for research and scientific investigation; the up-grading of private education, and the intensification of adult education.

The health program includes expansion of facilities such as hospitals, rural health units, potable water supply, nutrition, tuberculosis control and medical research to take care of the needs of the growing population. Also provided is a health education program particularly in environmental sanitation and public health. The collection, analysis and reporting of vital statistics considered important in the assessment of health conditions is given some emphasis.

Labor welfare and manpower program will be invigorized with the establishment of regional labor market information offices and a national industrial training program in textile financed by the Asian Economic Development Fund, and an Industrial Management Training Program. The labor welfare program includes labor law enforcement and employment offices for "sacadas".

In social welfare, the expansion of the program for the vocational rehabilitation of the physically handicapped, a training program for personnel, a pilot center for social research, a resettlement program for indigent families and low-cost housing are recommended. The Social Welfare Administration is in the process of reorganization to enable it to re-direct its programs toward preventive social services and to maintain leadership in social welfare. Further, some of the current appropriations will need to be diverted to uses which will yield maximum results.

Community development is indorsed in this Program as a means to mobilize and make more effective use of local human and material resources and to channel local initiative and energy towards national goals. The Program recommends the maintenance of the present community development program under the Presidential Assistant on Community Development (PACD) by providing for continuing assistance particularly in materials and equipment needed for community development projects and the acceleration of the research program as a basis for future approach in local community planning.

Since the Three-Year Economic and Social Development Program is essentially a public program, the important recommendations for public management include the safeguarding of the independence of the Bureaus of Civil Service, Customs and Internal Revenue from political interference by fixing through legislation the tenure of office of their heads; prohibition of lobbying by pressure groups and the prohibition of legislators and responsible executive officials from making any representation for the grant of any privileges in favor of private parties; more strict enforcement of laws against the acceptance of gifts as a consideration for official favors; and the integration of all the legal measures designed to prevent graft and corruption and the organization of a machinery that will curtail all forms of dishonesty on the part of public officials and employees and expedite action on all cases of irregularity.

The following new outlays are required to pursue the outlined program:

CONSOLIDATED NEW OUTLAYS FOR SOCIAL DEVELOPMENT [1]
(FY 1960 - 1962)
(In Millions)

	FY 1960	*FY 1961*	*FY 1962*	*TOTAL*
Education	50.70	51.99	43.75	151.44
Health	2.51	2.45	2.60	7.56
Manpower & Labor	0.84	0.42	0.12	1.38
Social Welfare	0.55	0.20	0.20	0.95
Community Development	1.50	0.75	0.75	3.00
Public Administration	0.84	—	—	0.84
TOTALS	₱56.94	₱55.81	₱52.42	₱165.17

B. Education

The quality of the manpower and social climate of the community is largely a function of a country's educational system. The program of public education is designed thus to further enable the educational system to promote the economic development program.

Objectives.

The objectives of the program are as follows:

(1) To raise the level of literacy;

(2) To provide the necessary technical and managerial skills;

(3) To instill habits of thrift and industry;

(4) To promote creative interest in the arts and sciences;

(5) To inculcate moral and spiritual values in the minds of the youth; and

(6) To identify and develop further the best features of Philippine culture.

The achievement of thes objectives require the following new outlays:

NEW OUTLAY FOR THE EDUCATION PROGRAM
(FY 1960 - 1962)
(In Millions)

Type of Activity	*FY 1960*	*FY 1961*	*FY 1962*	*TOTAL*
Elementary Education	32.50	35.58	33.80	101.88
Secondary Education	5.10	5.10	3.60	13.80
Vocational Schools	6.80	6.61	6.45	19.86
Home Industries	1.7	—	—	1.7
Higher Education	4.10	4.20	4.40	12.70
Adult Education	.50	.50	.50	1.50
TOTAL	₱50.70	₱51.99	₱48.75	₱151.44

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[1] Excludes a total of ₱43 million for three years included in the Public Services Program for the construction of school buildings, and hospitals and sanitaria.

Achievements in Education.

Despite the provision for compulsory elementary education set forth in Republic Act No. 896 (Section 5) which requires that "every child shall remain in school until the completion of an elementary education", the average level of school achievement is only third grade.

At present, the level of literacy in the country is 64 per cent. While this is low compared to Japan, it is high, viewed side by side with that of other Southeast Asian countries. In general all highly industrialized countries are highly literate since literacy seems to provide the basis for the development of industrial skills.

In school year 1958, the 27,000 public elementary schools in the country accommodated about 3.5 million school children, representing 95 per cent of all pupils in elementary schools. The 283 public secondary schools absorbed more than 200 thousand or 37 per cent of total secondary school enrolment. The country's 123 public vocational and technical schools enrolled more than 48,000; and an additional 46,000 were in private vocational schools.

In the field of higher education, public colleges and universities accommodated about 26,000 students while private institutions of higher learning had a total enrolment of more than 200,000 students. The ratio of university enrolment to population was 9:1000, a level second only to the United States. While the Philippines compares favorably with other underdeveloped countries, current educational achievements are deemed inadequate to meet the requirement of a nation undergoing the process of economic development.

Elementary Education. The accommodation of the increasing number of children of school age has been a perennial problem in this country. During academic year 1959 only 3.8 million of the more than 4.1 million children of school age will be accommodated in the public elementary schools. More than .3 million cannot be accommodated due to lack of funds and facilities.

To meet this problem, additional outlays for each year of the program period 1960-1962 will be provided for children of school age. [1] However, care will be taken that no new classes are created unless the corresponding classrooms are provided for.

The relative inadequacy of textbooks is proposed to be partly remedied by the printing of textbooks. The foreign exchange requirements for printing materials will be provided from the ICA assistance program. It is estimated that ₱2 million will be needed in 1960

/1 Under the Public Services Program, 2,200 classrooms will be constructed annually during the 3-year period. This will not completely meet the need but the backlog can be bridged with temporary buildings constructed by local efforts and with an increasing trend of enrolment in private schools.

to cover the local cost in the printing of these textbooks for which the ICA program has authorized $2 million in FY 1959.

Vocational Education. The task of vocational education is to provide basic manipulative skills for productive activities. Inadequacy of school facilities and equipment and low quality faculty pose serious handicaps to the country's vocational education program.

To solve these problems, the improvement of existing vocational schools through the acquisition of equipment, tools and other facilities for practice training and the upgrading of teaching staff are recommended.

For the rehabilitation of vocational agricultural and trade schools the amount of ₱700,000 is planned for FY 1960 under the NEC-ICA program. An additional amount of ₱230,000 is provided for the same year for the training of vocational teachers under the Stanford Contract.

Secondary Education. Secondary education bridges the gap between basic and higher education. The country's secondary schools, of which 283 are government owned, are the major sources of semi-skilled workers. At present, these schools are seriously handicapped by unstable financing, inadequate building facilities and sub-standard equipment, teaching aids and staff.

The provision of adequate physical facilities and the upgrading of the teaching staff of these schools would achieve two purposes; one is to adequately equip the youth with skills to supply the needs of economic development and the other is the provision of the basic educational foundation necessary for the pursuit of higher learning.

Adult Education. Immediate results in the development of skills are an important aspect of adult education. The Agricultural Extension program provides basic skills for agricultural production while the adult education program of the Department of Education stresses literacy, economic improvement, health and home life, cultural improvement, and training for rural citizenship and leadership. Existing facilities for adult education, however, are far from being adequate to make the program effective in the local communities. Additional funds for the expansion of the facilities and the upgrading of standards of instruction could revitalize this field of education. In this connection, the amount of ₱50,000 is alloted under NEC-ICA program to improve facilities for community education.

Home Industries. The levels of underemployment and unemployment could partly be reduced with the development of home industries. Providing training on specific lines of home industries to adult members of families who are either under or unemployed will enable them to undertake some gainful jobs at home, and help improve living conditions by increasing their income. At the same time, it will involve the utilization of local raw materials, which are available at cheap prices, or which can be utilized freely. In the development of home industries there will be needed initially the hiring of 300 teacher technicians (craftsmen) who will be assigned to different regions to provide the necessary skills. This will involve, at the rate of ₱2400 per annum per teacher, the sum of ₱720,000. The training plan also envisages the hiring of foreign experts and the training of Filipino technicians abroad under the UN, Colombo Plan and ICA Technical Assistance Programs.

It is also envisioned to provide the amount of ₱480,000 for the maintenance and equipment of the Central Craftsman Building, to adequately serve the training purposes of the expanded program.

A systematic and effective marketing of the home-made crafts is an essential phase of the promotion and development of home industries. For this purpose, a revolving fund of ₱500,000 is proposed to be established.

HOME INDUSTRIES

Financial Outlay in Millions

	1960	1961	1962	Total
Hiring of 300 Teacher Craftsmen	₱0.72	—	—	₱ 0.72
Expansion, Maintenance & Equipment of Central Craftsman Bldg.	0.48	—	—	0.48
Revolving Fund	.50	—	—	.50
T O T A L	₱1.7 M			₱1.7 M

Higher Education. The training of engineers, executives, scientists, teachers and public administrators is essential to the successful implementation of the economic development program.

The University of the Philippines, a public institution, presently provides the leadership in this field of education. The Central Luzon Agricultural College, the Philippine Normal College, the Philippine School of Arts and Trades, the Philippine College of Commerce, the Mindanao Agricultural College and the Mindanao Institute of Technology are public educational institutions that specialize in their respective fields.

Every year qualified young men and women seeking higher education are refused admission to these schools, particularly the University of the Philippines for lack of facilities. To enable these public institutions to maintain their leadership and to make available to the deserving the opportunities for higher learning will require the expansion of the facilities and the upgrading of the faculties of these institutions.

In this connection, three projects of the University of the Philippines are finance under the NEC-ICA aid program, as follows:

Rehabilitation of the Colleges of Engineering, Business Administration and Education	P250,000.00
UP College of Forestry-Cornell Contract	450,000.00
UP College of Agriculture & Central Experiment Station	160,000.00

Under another such arrangement, the Central Luzon Agricultural College, the Mindanao Agricultural College, Baybay Agricultural School and the Philippine School of Arts and Trades, Cebu Trade School and the Iloilo School of Arts and Trades are likewise upgraded.

Private Education. The main source of the skilled manpower of the country is the private universities and colleges which handle 96 per cent of the enrolment in higher education. Most of these schools, however, are still confronted with such problems as overcrowding in classrooms, inadequate sites, laboratories, textbooks and, to some extent, sub-standard teaching staffs. These problems limit them from making the maximum possible contribution to the economic and social development of the country in view of the generally poor quality of graduates produced.

Specific Recommendations.

a. *For Elementary Education*

(1) Construction of 2,200 classrooms annually to accommodate children of school age during the 3-year period.

(2) The printing of Grades I and II Primers (readers) and the purchase of intermediate books worth P15 million.

(3) Completing the laboratory equipment of the 8 public normal training schools and sending abroad for training teacher technicians and educational researchers.

b. *For Secondary Education*

(1) Approval of a bill to stabilize the financing of secondary schools.

(2) Completing the equipment of science laboratories of all the schools and providing for the employment and training of at least 500 science teachers and guidance counselors.

(3) Providing for the needed equipment of vocational courses under the 2-2 Plan.

c. *For Vocational Education*

(Agriculture)

(1) Establishment of at least 6 agricultural schools fully equipped and improving the facilities of existing schools.

(2) Transfer of all initial appropriation for new agricultural schools already approved by Congress to other existing agricultural schools whose municipal or provincial support has been withdrawn.

(3) Approval of a Development and Settlement Program. This is to maintain agricultural schools in some public agricultural areas until the sites are developed and are ready to be apportioned among agricultural graduates.

(Fishery)

(1) Providing the schools with modern equipment for preservation of fish.

(2) Sending of trainees abroad for specialization in fish preservation, processing, and culture.

(Trade)

(1) Improving and expanding the facilities and equipment of existing trade schools so as to meet proper industrial needs.

(2) Sending teachers abroad for training in needed specialized industrial skills.

(Home Industries)

(1) Providing for the training of at least 300 teacher-technicians yearly for the standardization of marketable crafts produced.

d. *For Higher Education*

(1) Improving and expanding the research facilities and the research competence of the faculty of the University of the Philippines.

(2) Improvement of salary scales on the basis recommended by the Hanna Survey report.

(3) Approval of the Graduate Program of the College of Engineering in several fields of engineering.

(4) Further training abroad of faculty members especially those engaged in the fields of science and technology.

e. *For Adult Education*

(1) Increasing the net outlay for adult education.

f. *For Private Education*

(1) More rigid enforcement of the standard sizes prescribed for different classes.

(2) A closer supervision of alien schools particularly the Chinese schools.

(3) Inclusion of more indigenous teaching materials in Catholic schools curricula.

(4) Establishment of a scientific research center in all private universities.

g. *Recommendation on Endowments*

Encouragement of the practice on the part of private individuals and corporations to make donations, grants or endowments in cash or in kind, to improve facilities and/or scientific researches and investigations in favor of public or private educational institutions and by amending the income tax law making such donations, grants or endowments fully deductible from the income of such donors, and exempting the donees from gift taxes.

CONSOLIDATED OUTLAY FOR EDUCATION
(*In Million Pesos*) [1]

	Authorized FY 1959	Add'l Over 1959	1960	Add'l Over 1960	1961	Add'l Over 1961	Add'l Total
U.P.	10.65	4.10	14.75	4.20	18.95	4.40	12.70
BPS [3]	₱222.63 [2]	46.60	269.23	47.79	317.02	44.35	138.74
TOTAL		50.70	283.98	51.99	335.97	48.75	151.44

C. Health

Health is essential to growth and welfare. Even when people have an adequate physical environment, progress is possible only if they have the health with which to effect and enjoy material gains.

Poor health presents formidable roadblocks to economic and social progress. The development program for public health is designed to gradually overcome these roadblocks. Generally, the activities are directed towards prevention, control and cure of contagious and infectious diseases; intensification of health education; improvement of nutrition and environmental sanitation; providing efficient public health personnel; and promotion of medical and public health research.

1/ Dollars converted into pesos.
2/ Does not include the appropriation for the Dept. of Education Office.
3/ Includes Elementary, Secondary, Vocational, Higher, Adult Education, and Home Industries.

Objectives.

Thus, the objectives of the health program are the general improvement of the physical and mental capacities of the people through the provision of medical services and the improvement of the sanitary conditions of the country.

More specifically, the objectives are to:

(1) Extend the scope of preventive measures against infectious and communicable diseases;

(2) Intensify control work in intestinal parasites, malaria, schistosomiasis, filariasis, viral diseases, etc.;

(3) Effect further reduction of maternal and infant mortality;

(4) Increase dispensaries and hospital facilities;

(5) Conduct a nationwide campaign on the proper handling of garbage and sanitary disposal of human wastes, and at the same time encourage utilization of sewerage and drainage system especially in urban areas;

(6) Provide sufficient potable water through the development of waterworks systems, artesian wells and springs;

(7) Conduct a more effective campaign against tuberculosis and provide rest villages and/or sanitaria facilities for the tuberculosis patient;

(8) Improve the collection, analysis and reporting of vital statistics; and

(9) Conduct a campaign to prevent nutritional deficiencies.

To carry out the health program the following outlays are provided:

FINANCIAL OUTLAY FOR PUBLIC HEALTH
(In Million Pesos)

Subject	Authorized FY 1959	Add'l	FY 1960	Add'l	FY 1961	Add'l	FY 1962	Total Net 3/ Add'l
Malaria & Filariasis	2.99	0.24	3.23	—	—	—	—	0.24
Schistosomiasis	0.26	0.09	0.35	0.07	0.42	0.09	0.51	0.25
Rural Health Units	15.37	0.60	15.97	0.60	16.57	0.60	17.17	1.80
T.B. Control	1.47	0.40	1.87	—	1.87	0.30	2.17	0.70
Hospitals	32.54	0.46 2/ (2.00) 1/	33.00	0.92 2/ (3.00) 1/	33.92	1.38 2/ (3.00) 1/	35.30	2.76 2/ (8.00) 1/
Research Laboratory	1.8	0.30	2.1	0.60	2.70	—	2.70	0.90
Environmental Sanitation	0.37	0.23	0.60	0.26	0.86	0.23	1.09	0.92
Disease Intelligence Center	0.01	0.19	0.20	—	0.20	—	0.20	0.19
TOTAL	₱54.81	2.51	57.32	2.45	59.77	2.60	62.37	7.56

1/ Amount for construction, (See Public Services) which provides 1,000 new beds in 3 years and will meet 50% of need to maintain a 1:5000 ratio

2/ Amount for operation and maintenance of new beds provided.

3/ Excludes outlay for construction included in Public Service Program totalling ₱8 M in 3 years.

Achievements in Health.

Thirty years ago, 19 persons in every 1,000 of the population died. In 1957, this rate was reduced to 10 per 1,000. The number of mothers who died from delivery has been reduced by one-half during the same period. Infant mortality was reduced from 153 for every 1,000 live births in 1927 to only 93 in 1957.

No cases of cholera, smallpox or plague have been reported in recent years. Communicable diseases like infectious diarrhea, dysentery, typhoid fever, malaria, filariasis, schistosomiasis and viral diseases like H-fever and encephalitis are being met with proper preventive and control measures as well as through research.

The achievement of the goals of the health program will depend upon the implementation of measures indicated below.

Recommendations.

1. Provision of more adequate laboratory facilities and trained scientific technicians necessary for the intensification of basic researches and production of sera and vaccines such as cholera-dysentery-typhoid vaccines, BCG, flu, rabies, tuberculin, etc., to support the expansion of preventive medical services.

2. A more intensive campaign against intestinal parasites by pertinent government offices with the assistance of public schools.

3. Assignment of more nurses and midwives to the Rural Health Units and Puericulture Centers to improve maternal and child care.

4. Improvement of medical care and expansion of existing hospitals through the implementation of RA 1939 that fixes the proportionate share of the national, provincial, city and municipal governments to the funds for the operation and maintenance of free beds in government hospitals and the provision of additional beds and the establishment of wards or pavilions.

5. Education in the proper handling of garbage and the sanitary disposal of human wastes should likewise be intensified. Sewerage, drainage systems and comfort stations should be constructed in big centers of population.

6. Provision of potable and safe water supply through the drilling of artesian wells, development of springs and construction of waterworks systems.

7. Expansion of the mobile and static chest health units to provide a wider coverage for detection and case treatment.

8. Improvement of the collection, analysis, and timely reporting of vital statistics to provide the information necessary in the proper control of infectious diseases and the formulation of policies and future programs on public health.

9. Provision of facilities and technical personnel for nutrition survey and for the intensification of nutrition education.

D. Manpower And Labor Welfare

One of the major resources of the country is its manpower. Upon its development and proper utilization depend to a great extent the development of the country.

Objectives of Manpower Program.

To promote the maximum development and utilization of manpower resources, the manpower program aims to:

(1) Increase job opportunities sufficient to absorb at least new entrants into the labor force and relieve underemployment to some degree;

(2) Develop skills to meet the demand of a growing economy; and

(3) Develop a system of making regularly available labor market information.

Objectives of Labor Welfare Program.

The labor welfare program is designed to:

(1) Improve labor-mangement relations conducive to industrial peace;

(2) Provide effective enforcement and implementation of existing labor legislations; and

(3) Promote the welfare of migratory workers in agriculture.

The achievement of the above objectives requires the following outlays:

FINANCIAL OUTLAY FOR MANPOWER
(In Million Pesos)

	Authorized FY 1959	Add'l	FY 1960	Add'l	FY 1961	Add'l	FY 1962	Total Net Add'l
Ten Regional Labor Market Information Offices	xxx[1/]	0.30	0.30	—	0.30	—	0.30	0.30
Vocational Industrial Tr. in Textile ...	xxx[1/]	0.06	0.06	—	0.06	—	0.06	0.06
IDC Mgt. Training ..	0.177	0.03	0.21	0.03	0.24	0.03	0.27	0.09
				Sub-Total	....			0.45

1/ New

FINANCIAL OUTLAY FOR LABOR WELFARE
(In Million Pesos)

	Authorized FY 1959	Add'l	FY 1960	Add'l	FY 1961	Add'l	FY 1962	Total Net Add'l
Department of Labor (Field Services)	0.355	0.09	0.43	0.09	0.52	0.09	0.61	0.27
Employment Offices Iloilo & Bacolod ..	xxx[1]/	0.16	0.16	—	0.16	—	0.16	0.16
Revolving fund for Sacadas		0.20	0.20	0.30	0.50	—	0.50	0.50
Sub-Total								0.93
Grand-Total								1.38

The Current Situation.

Surveys conducted by the Philippine Statistical Survey of Households in 1956-1957 show that of a labor force of 8.8 million 700,000 were unemployed. Approximately 800,000 to 1 million of the employed population were underemployed.

The labor force increases by approximately 270,000 persons annually. To prevent a further rise in the present unemployment level of 8 per cent of the labor force, 800,000 new jobs have to be created during the three-year program period.

Training of future entrants into the labor force is presently provided through vocational agricultural and industrial trade schools, an apprenticeship program for those already in the labor force, and a training program for managerial and supervisory personnel through the Industrial Development Center.

The program provides for the development of labor market information necessary to determine the nature, extent, and direction of measures for manpower development and utilization.

Collective bargaining, to succeed as an instrument in the promotion of industrial peace, has to be acceptable to both management and labor. At present the bulk of the efforts of union, management and government is directly towards establishing collective bargaining instead of the substantive issue of the agreement. Union recognition has always been the principal issue. It is only lately that a shift to the issue of wages, fringe benefits, improvement of shop conditions and policies is being noticed.

Our laws regulating working conditions are considered adequate although they were developed piece-meal over a period of time. Only effective enforcement and implementation is required. The codification, however, of all labor laws to make them simpler and easier to understand and interpret is necessary.

1/ New

Recommendations.

In order to achieve the objectives of the manpower and labor welfare program, the following measures are prescribed:

(1) A coordinated and effective program to develop home industries to help reduce underemployment prevalent among the rural populations.[1]

(2) A program of vocational industrial training for development of skills in the textile and other industries.

(3) Assistance for the organization and development of a national apprenticeship program.

(4) Expansion of the program of the Industrial Development Center to help management of private industry undertake training programs for managerial and supervisory personnel.

(5) The establishment of 10 Regional Labor Market Information Offices and expansion of the staff and facilities of the present Labor Statistics Division of the Department of Labor.

(6) Management groups should be encouraged, through the Industrial Development Center, to apply modern management techniques especially in the field of human relations. Union leadership, on the other hand, should be improved through an extensive and intensive labor education program. The periodic holding of Labor-Management Congresses, national or regional, should be encouraged.

(7) The Department of Labor should be provided with more funds to enable it to expand its field services for labor law enforcement.

(8) Codification of existing labor laws.

(9) The eventual abolition of the "sacada" system, the "cabo" system and similar practices.

(10) Adoption of the recommendations of the Special Committee appointed by the Secretary of Labor in 1956 created to survey employment conditions in the sugar industry.

E. Social Welfare

Social welfare is a basic function of society. It involves on the one side, services and other types of assistance extended to the less fortunate members of society and on the other, the prevention of the occurrence of social problems. The ultimate objective of social welfare is the promotion of the general well-being of the nation.

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[1] The educational phase is treated under the Education program, the Marketing phase under the Trade and Commerce Program and the Production phase in the Manufacturing Program.

Required Outlays.

To achieve this objective, the social welfare program requires the following outlay:

ADDITIONAL OUTLAYS FOR SOCIAL WELFARE
(FY 1960 - 1962)
(In Million Pesos)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
Pilot Center	.10	.05	.05	.20
Training of Personnel	.05	.05	.05	.15
Four (4) Rehabilitation Centers	.30	.10	.10	.50
Administration & Supervision	.10	—	—	.10
TOTAL	.55	.20	.20	.95

The present program of social welfare in the Philippines is directed mainly to the care of the destitute and the handicapped. Very little attention is given to preventive measures. The public program of social welfare embraces public assistance in the form of relief and aid to the indigents, victims of disasters, orphans and widows; services and protective care to neglected, handicapped and destitute children; and rehabilitative services of the disabled.

Recommendations.

To solve the more vital problems in the field of social welfare the following measures are recommended:

(1) Expansion of the program of rehabilitation through the establishment of four additional vocational rehabilitation centers, one in the Visayas, one in Mindanao and two in Luzon;

(2) Revitalization of the Social Welfare Administration to enable it to implement more effectively the social welfare program;

(3) Training of social welfare personnel both in the pre-service and in-services levels;

(4) Development of preventive social services:

(5) Establishment and maintenance of a social research center to assess social problems, needs and resources and to evaluate the efficacy of social welfare projects;

(6) The resettlement of indigent families which is now carried on by the National Resettlement and Rehabilitation Administration should be expanded and be given every encouragement and support; and

(7) The low-cost housing program of the People's Homesite and Housing Corporation should be expanded to accommodate more adequately the housing needs of low-salaried public employees and other low income wage-earners.

F. Community Development

Economic and social development may have to proceed, to some extent on the basis of community self-help with the government providing a minimum of assistance.

Objectives.

Some of the more important objectives of this community development program are:

(1) To stimulate the participation of citizens in local developments;

(2) To improve further the coordination and integration of the activities of all the departments and offices of the government engaged in community development in order to increase their effectiveness and to achieve maximum benefits;

(3) To assist local authorities in the identification and formulation of development programs and in the mobilization of human and material resources with which to implement approved programs.

Achievements.

The organizational and structural bases for community development have been established. Field personnel given training as of December, 1958, are as follows: 968 Community Development Workers, 138 Home Demonstrators and 98 Agriculturists.

At the national level, the Presidential Assistant on Community Development (PACD) is assisted by an Inter-Departmental Committee and a Committee on Program Implementation. The latter is composed of the heads of five (5) bureaus and agencies receiving direct financial support from the PACD.

There is now coordination of activities of various agencies towards the same goal — the improvement and enrichment of rural life. With provincial governors and municipal mayors leading the movement in their respective provinces and localities, aided by prominent citizens and advised by local community development officers and other technicians, the movement is now gathering force and vitality.

Financial Outlay.

The present effective budget of the Community Development Projects is ₱11.4 million, ₱7.4 million of which is derived from the proceeds of Public Law No. 402 of the United States and ₱4 million from appropriation by the Philippine Government.

The proposed financial outlay for the program period is as follows:

	1959	Add'l	1960	Add'l	1961	Add'l	1962
Effective Budget	11.4	1.5	12.9	.75	13.65	.75	14.40

The total additional outlay for the 3-year program period is ₱3 million.

Recommendations.

In view of the limited funds available for this project, it is recommended that:

1. The social process goal which is the development of citizen competence through participation rather than the achievement goal which is the mere increase of physical facilities in the community development program be emphasized;

2. Studies on approaches, techniques and organization of community development for the purpose of assembling basic materials to further the effectiveness of the program be continued; and

3. Community development efforts be geared to national programs and national programs be made responsive to local aspirations.

G. Public Administration

Any deliberate program of economic and social development in an underdeveloped country will invariably call for improvements in the existing public management system in terms of organization, administrative attitudes and skills and provisions for assuring the maintenance of honesty in the public service. Development connotes greater efficiency and if the government must be the effective tool that it should be to guide, facilitate and otherwise assist private enterprise, it must have systems that will make for "doing things" with dispatch, and a corps of public employees who are skilled and understanding and progressive in attitudes.

It has been aptly said that honesty in government is as important a factor for economic growth as tangible capital. Since integrity in public office is an essential requisite to the success of any development program, the provision for ensuring its observance becomes one of the first tasks of the development effort.

Objectives.

The public administration program is geared, therefore, to achieving the following objectives:

(1) To raise the level of efficiency in the public service;

(2) To develop a pool of trained prospective public administra-

tors recruited through competitive examinations;

(3) To revitalize the merit system;

(4) To provide for the administrative requirements of economic and social development;

(5) To develop initiative, leadership and administrative efficiency among personnel of local governments; and

(6) To institute a system for ensuring honesty in the public service.

To achieve the foregoing objectives the program will require the following outlays:

OUTLAYS FOR THE PUBLIC ADMINISTRATION PROGRAM
(FY 1960 - 1962)
(In Million Pesos)

Project	*FY* 1960	*FY* 1961	*FY* 1962	*TOTAL*
Bureau of Civil Service	.25	—	—	.25
Local Government Project, U.P.	.10	—	—	.10
Executive Staff Academy, U.P.	.10	—	—	.10
Program for Junior Executives	.09	—	—	.09
Research in Public Administration	.10	—	—	.10
Training of Management Staffs	.20	—	—	.20
TOTAL	.84	—	—	.84

Achievements.

Reviewing the developments in the field of public administration over the last few years, the following may be cited as outstanding national accomplishments:

(1) Full implementation of 18 (Plan Nos. 1 to 10, 12-14, 20, 30, 46, 47, 54 and 88) and partial implementation of three (Plan Nos. 19, 27 and 60) reorganization plans prepared and recommended for adoption by the Government Survey and Reorganization Commission;

(2) Adoption of performance budgeting by the Budget Commission;

(3) The establishment of an Institute of Public Administration, University of the Philippines, which offers academic instruction for the public service, conducts in-service training and executive development for government official, carries on basic and applied research to determine areas for improvement in the performance of the public service and provides consultation and technical services to government agencies needing assistance in their respective programs;

(4) The establishment of a Management Service in the Budget Commission which carries on a continuing program of management improvement in the government and conducts training for management analysts for particular agencies;

(5) The training abroad of 197 technical personnel in public administration under NEC-ICA sponsorship and the graduation by the Institute of Public Administration of 245 training officers now distributed in different agencies of the government and 98 degree holders in public administration practically all of whom are now employed in the public service; and

(6) The growing awareness on the part of government leaders, the general public and the Press of the crucial role that public administration plays in economic and social development.

Problem.

Among the pressing problems in the public service today may be mentioned the following:

(1) The apparent abandonment of the merit principle in favor of the spoils system in the public service;

(2) The inability of local governments to participate effectively in the economic and social development efforts;

(3) The general lack of high level managerial and executive skill in the government service;

(4) The absence of a comprehensive and continuing study of the adequacy of the government system to implement economic and social development programs;

(5) The need for more adequate number of personnel trained in public administrative knowledge and skills at middle and lower management levels in the public service;

(6) The need for readjustments and refinements in performance budgeting as adequate measures of the performance of government agencies in implementing economic and social development plans and programs;and

(7) The inadequacy of preventive measures against the commission of graft and corruption or any form of dishonesty in the public service.

Recommendations.

To implement the public administration program, the following measures are recommended:

(1) To safeguard the independence of the Bureau of Civil Service, and to make the Bureau of Customs and the Bureau of Internal Revenue independent offices, legislation should be enacted fixing the tenure of office of their respective heads who shall be removable from office only through impeachment;

(2) Enactment of appropriate legislation regarding lobbying in the Congress by pressure groups and of legislation prohibiting members of Congress and responsible officials of the executive department from making representations before offices or agencies of the Government having to do with the grant of privileges, franchises or other benefits in favor of private individuals, corporations and other organized groups;

(3) Strict enforcement of penal laws and administrative orders on the giving and acceptance of gifts by public officers;

(4) Implementation of the remaining approved reorganization plans of the Government Survey and Reorganization Commission which remain unimplemented, thru executive action or legislation which ever is appropriate;

(5) The launching of a local government program to identify training needs and to study the overall conditions of local governments in order to enable them to participate actively in economic and social development;

(6) The establishment of an Executive Staff Academy to conduct and hold seminars and other meetings for managers and executives of the government;

(7) Expansion of the academic program of the Institute of Public Administration through grant of scholarships to qualified young men and women in the universities and government agencies;

(8) Revision of the Civil Service Law to readjust personnel processes and functions in accordance with the needs of the general plan for economic and social development;

(8) Revision of the Civil Service Law to readjust personnel processes and functions in accordance with the needs of the general plan for economic and social development;

(9) Intensification of training programs for management analysts on a continuing basis by the Management Service of the Budget Commission, giving top priority to agencies directly administering economic and social development programs;

(10) Elimination of the many undesirable features of implementation of the wage and position classification system and the transfer of the functions of the Wage and Position Classification Office to the Bureau of Civil Service; and

(11) Integration of all the legal measures designed to prevent graft and corruption and the organization of a machinery that will insure the curtailment of all forms of dishonesty and expedite action on all cases of irregularity. The spirit behind Administrative Order No. 1, Series 1954, and other measures that seek to prevent public officials and employees from enriching themselves in office should

be implemented by a closer check on the changes in wealth and manner of living of government personnel charged with the power to grant privileges to private citizens by virtue of their decisions. Appropriate penal action for inexplicable wealth and exceptionally luxurious living should also be provided.

The Congress of the Philippines appropriates every year funds for the different offices of the government charged with the promotion of social development. Since neither the size of the population to be served nor the nature of the needs to be met can be static, annual appropriations must reflect changes. The additional financial requirements of the social development program is considered adequate at least to maintain acceptable standards of life and health. If economic progress is to proceed at the desired pace and if it is to be orderly and self-reenforcing, the social requisites of such growth must be provided.

Chapter 10

FOREIGN AID AND TECHNICAL ASSISTANCE PROGRAM

This program embraces the assistance extended the Philippines under the International Cooperation Administration, U.S. Public Law 480, the technical assistance under the various organizations of the United Nations, the Colombo Plan program, and the assistance from U.S. volunteer relief agencies.

A. Status of the U.S. Aid Program in the Philippines

Since the inception of the program in the later part of Fiscal Year 1951 to June 30, 1958, a total of $192.61 million of assistance consisting of $172.61 million of grants and $20 million of loans has been authorized. The grant of $172.61 million was used for the procurement of $148.12 million worth of commodities and $24.49 million for payment of technical assistance. The loan portion was divided into $3.3 million for government projects and $16.7 million for private industries.

The distribution of the assistance of $192.61 million by project category is as follows:

Agriculture	$39.5 (M)	Education	$10.0 (M)
Industry	40.0 ”	Com. Development ...	8.6 ”
Transportation	35.9 ”	Public Administration	7.4 ”
Military Construction	28.9 ”	Labor	2.1 ”
Health	19.6 ”	Miscellaneous	0.6 ”

The financial contribution of the Philippine Government to the program amounted to ₱321.39 million consisting of ₱184.92 million in counterpart funds and ₱136.47 million in general funds.

By project category, the total Philippine contribution is divided as follows:

Agriculture	₱97.43 (M)	Public Administration ..	₱38.25 (M)
Industry	25.52 ”	Technical Assistance:	
Transportation	83.54 ”	Type A	13.02 ”
Health	25.27 ”	Type B	4.66 ”
Education	23.92 ”	5% Administration Cost	9.79 ”

Altogether, 114 projects have been developed under the joint program of which 28 are in agriculture; 12 in industries and mining; 12 in transportation and public works; 12 in public health;

19 in education; 28 in public administration and labor; and 3 in community development and social welfare and housing.

Procurement of U.S. Surplus Agricultural Commodities Under Section 402 of the U.S. Mutual Security Act. Since the start of the assistance under the program, $54.04 million worth of agricultural commodities, mostly raw cotton and milk, have been made available to the Philippines. The proceeds from the sale locally of these commodities have been utilized as follows:

Community Development	$ 7.00	(M)
Industrial Loans	16.70	"
Military Construction	29.34	"
Total	$53.04	(M)

Under U.S. Public Law 480.—The Philippine and U.S. governments signed in 1957 a commodities agreement covering $10.3 million worth of surplus agricultural commodities such as rice, cotton, skim milk, tallow, etc. For fiscal year 1958, $4.1 million worth of rice was brought in under the program.

The proceeds from the sale of the commodities under the 1957 and 1958 agreements were distributed for the following uses:

For new markets for U.S. agricultural commodities, international education exchange and other expenditures by the U.S. in the Philippines	₱ 6.00	(M)	₱2.50	(M)
For common defense	4.20	"	2.0	"
For assistance to activities and projects authorized by Section 203 of U.S. Information and Education Exchange Act of 1948			1.7	"
For loans to be made by ExImBank to promote economic development	10.40	"	2.0	" 1/
Total	$20.6	(M)	₱8.2	(M)

B. The Assistance from U.S. Volunteer Relief Agencies

The assistance under this program comes in the form of relief goods which are distributed among the indigents and children through local charitable institutions and the schools.

For FY 1958 and FY 1959, the program of the relief agencies, namely: Catholic Relief Services (CRS), Cooperatives for American Remittances to Everywhere, Inc. (CARE), United Nations

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1/ For loans to U.S. and friendly third-country firms in the Philippines.

Children's Fund (UNICEF), and the Seventh Day Adventist Welfare Service (SAWS), involved the distribution of the following commodities: rice, 27.24 million pounds; cheese, 2.45 million pounds; flour, 11.12 million pounds; corn meal, 18.48 million pounds; milk, ckim, 64.42 million pounds; and clothing and miscellaneous, 1.50 million pounds.

C. The United Nations Expanded Program of Technical Assistance

This embraces assistance from the United Nations Technical Assistance Administration (UNTAA), the International Labor Organization (ILO), the Food and Agriculture Organization (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO), the International Civil Organization (ICAO), the World Health Organization (WHO), the International Telecommunications Union (ITU), and the World Meteorological Organization (WMO).

From 1951 to 1958 the total dollar cost of the assistance given the Philippines amounted to $3.08 million. As of 1957 a total of 252 fellowships have been awarded to Filipinos and 35 Filipino experts have been recruited for assignment abroad. For 1958, seven fellowships were awarded in the fields of statistics, economic surveys, forestry development, science and education. Thirty-seven out of the forty-five foreign technical consultants requested are now actually on assignment to various projects.

As a participating country, the Philippines contributed ₱132,000 a year of 1956, 1957 and 1958. For 1958 it has pledged ₱264,000 to Technical Assistance Program and to a new Special Projects Fund to be utilized for increased U.N. and Specialized Agencies assistance to underdeveloped areas.

The 1959 program is estimated to cost the United Nations and Specialized Agencies a total of $409,500 and the local agencies receiving the assistance, $60,200. The program includes 40 experts, 13 fellowships, and $4,712 in equipment with the aid extended in the field of fisheries, kadang-kadang coconut disease research, pasture management, cattle husbandry and dairy production, tanning, pulp and paper production, veneer and plywood production, tobacco, shipbuilding, iron and steel manufacture, cost accounting, salt production, bilharziasis (snail fever) control, mental health, public health nutrition, and other essential projects.

For the subsequent years the requests will be based on the requirements indicated in the 3-year economic and social development program of the National Ecnomic Council.

D. The Colombo Plan

From 1952 to May, 1958, a total of 245 fellowships and scholarships on varied fields have been awarded the Philippines. Thirty-nine fields of study have been made available for 1958. In addition, the services of an orthopedic expert and an anesthesiologist from Australia were availed of in 1958. An offer of £50,000 from New Zealand has been made. Books and laboratory equipment have also been received.

As a contributing country, the Philippines had appropriated a total of ₱318,000 for the program for 3 years since 1957. During FY 1959, eight (8) foreign experts and 9 foreign fellows are supported locally.

In recruiting experts and sending out participants under this program during the subsequent years, the requirement indicated in the 3-year economic and social development program shall also be used as the guide.

E. The ICA-NEC Assistance Program for FY 1960 to FY 1962

The program illustratively planned for FY 1960 to FY 1962, exclusive of military construction and industrial loans, envisions a yearly aid of about $10 million. This will be mostly for continuing projects for which supporting peso funds are to be provided by the Philippine Government. Directly productive projects are proposed to be expanded while those that contribute less to production or are remotely related to it are planned to be terminated or reduced in extent. Projects that qualify for dollar assistance and generate their own peso funds will also be given priority.

Loans for economic development that may be obtained under the program will be utilized in accordance with the guiding principles stated in the 3-year Manufacturing and Mining Plan of the National Economic Council.

F. Problems

Since the levels of assistance coming from the United Nations Organization and its specialized agencies and the Colombo Plan are much too small compared with those coming from the United States, the statement of problems is limited to the latter.

1. Most of the difficulties encountered in the implementation of the ICA-NEC program are operational in nature and are the results of the understandings, agreements and of the administrative procedures developed under the provision of the Mutual Secu-

rity Act and pertinent regulations relative thereto and the Bilateral Agreement. The cooperative efforts, however, of the project agencies, the National Economic Council and the U.S. Operations Mission in Manila have, to a large measure, reduced these inevitable operational shortcomings.

2. Realizing the need for helping the Philippines improve its economy, institutions in the United States such as the Export-Import Bank of Washington, the World Bank, the Development Loan Fund, etc., are extending economic assistance. This aid is most welcome and should be utilized as early as possible. Unless, however, handled by one U.S. agency in the Philippines, its actual use may be delayed.

G. Recommendations

The seven years of the ICA aid program has brought about improvements in agriculture and industry, transportation, education, health, labor-management relations, public administration and community living. Its continuation will no doubt provide additional benefits and contribute further to the enhancement of the growth of free institutions in the Philippines. It appears, however, that inasmuch as the structure upon which further development could well be based has been efficiently built, there is now need for a reorientation of emphasis in the prosecution of the aid program.

The assistance program will better serve the interest of the Philippine economy and the implementation thereof may be more effective should the following recommendations be effected:

1. In view of the current foreign exchange difficulties of the Philippines, the ICA could have more of the dollar assistance funds directly utilized for the purchase of additional essential raw materials. To some extent direct foreign exchange assistance is achieved under Section 402 of the Mutual Security Act but this program is limited to the importation of surplus agricultural commodities. It is highly desirable that essential raw materials other than those of the surplus category be made available by the United States to the Philippines in liberal quantities.

2. The U.S. Government should be requested to increase its financial assistance in the form of loans for economic development under terms that would allow the Philippines to direct the aid towards the development of priority projects. In this connection, the distribution of the proceeds from the sale of commodities procured under U.S. Public Law 480 should be such that

at least 75 per cent is made available for loans for economic development. Furthermore, the U.S. Government should allow the Philippines to procure surplus agricultural commodities for the partial or full replacement of imports by waiving the requirement in the Act whereby only quantities over and above normal marketings may be allowed.

3. All types of U.S. assistance regardless of the source, are better handled by a single agency of the U.S. Government in the Philippines which is vested with full powers in its relations with the Philippine Government. The local U.S. Operations Mission could easily be this agency.

4. The recruitment of technical experts and advisors under the ICA program, the United Nations and its specialized agencies, the Colombo Plan, etc. should in the future be closely and directly related to the objectives of the national development program. The training program of Filipino technicians abroad should likewise place major emphasis on the chosen fields.

Chapter 11

SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT PROGRAM

A. The Role of Science and Technology

The development of science and technology is vital to the economic future of any society. The highest standards of living invariably characterize the economies of countries where science and technology have been developed to an intensive degree. Conversely, population growth is pressing on the means of subsistence in societies which have not learned to invent, to innovate and to adapt technologically.

Our government has awakened to the realization of this fact with the establishment in July, 1958, pursuant to R. A. 2067, of the National Science Development Board (NSDB). It has realized that a vigorous, positive, coordinated program of scientific research and development is essential to improve production and strengthen the productive base of the economy.

The science and technological program is geared to the specific objectives of the national economic development program. It is designed to support principaly the development of the agricultural and manufacturing industries and to relatively smaller extent, medical and nutritional research and social development.

On a long range basis the problem of scientific and technological development lies in assuring a supply of well-trained scientists and technoligists with a natural aptitude for research. This would require training the prospective scientists from childhood and the development of a curriculum that will assure a solid foundation for the country's future scientists or technologists. In the short run, the task in so far as the government program is concerned, is to harness people with both the training and natural bent for scientific investigation and make them work on the higher priority projects of research and development. This task involves making an exhaustive search for candidates, making a rigid selection and providing those who are selected with favorable conditions of employment including satisfactory levels of compensation. The immediate objective of fostering research and technology can also be served by governmental encouragement and support, in necessary cases, of existing private research.

In view of the limited resources in technical manpower, money and facilities, the NSDB is bound to reduce duplication of research activities to the minimum and to institute whenever practical the use of common laboratories for investigative work. Furthermore, it may, for want of adequate foreign exchange resources, have to accept foreign grants in technical training and in facilities. The limitations in resources also demand an understanding of scientific research and development according to their order of priority of need.

B. Objectives

The scientific and technological development program for the next fiscal years, 1959-62 take all the foregoing problems into consideration. It aims at:

1. The general improvement of the basic science curriculum in the elementary school.
2. The scouting for science talents and their rigid training early in their educational career.
3. The further training of promising adult scientists here and abroad
4. The search for and encouragement through appropriate types of governmental assistance, of private individuals or organizations engaged in useful fields of investigation, invention or technical adaptation.
5. Building of a store of scientific knowledge directly useful to the immediate objectives of research and developments.
6. Organization, maintenance and coordination of an expanded research program.
7. Promotion of science activities, including competition and awards, exhibits and demonstrations, science week observance, etc.

C. Program

The program of science development for the next three fiscal years is shown in the following page.

The research outlays shall be borne partly by the responsible organization and partly by the NSDB. The latter's share is designed to supplement research funds alloted to various research agencies in cases where resources would not permit completion of important research projects.

FINANCIAL REQUIREMENTS

(In Thousand Pesos)

PROJECT CATEGORIES	FY 1959-1960			FY 1960-1961			FY 1961-1962			GRAND TOTAL		
	Board Sponsored Projects	Gov't. & Private Researches not Financed by the Board	TOTAL	Board Sponsored Projects	Gov't. & Private Researches not Financed by the Board	TOTAL	Board Sponsored Projects	Gov't. & Private Researches not Financed by the Board	TOTAL	Board Sponsored Projects	Gov't. & Private Researches not Financed by the Board	TOTAL
RESEARCH	2,864	7,719	10,583	2,864	7,719	10,583	2,864	7,719	10,583	8,592	23,157	31,749
Agriculture	366	5,480	5,846	366	5,480	5,846	366	5,480	5,846	1,098	16,440	17,538
Industrial	652	983	1,635	652	983	1,635	652	983	1,635	1,956	2,949	4,905
Atomic Energy ..	604	604	1,208	604	604	1,208	604	604	1,208	1,812	1,812	3,624
Social Science ...	34	34	68	34	34	68	34	34	68	102	102	204
Others	1,208	618	1,826	1,208	618	1,826	1,208	618	1,826	3,624	1,854	5,478
GRANTS-IN-AID	540	18	558	540	18	558	540	18	558	1,620	54	1,674
Private Researches	340	18	358	340	18	358	340	18	358	1,020	54	1,074
Technical Manpower Development ...	45	—	45	45	—	45	45	—	45	135	—	135
Promotion	155	—	155	155	—	155	155	—	155	465	—	465
TOTAL	3,404	7,737	11,141	3,404	7,737	11,141	3,404	7,737	11,141	10,212	23,211	33,423

The financial burden for the government training in science and technology will be borne mainly by the public school system and the University of the Philippines. But a special training program in advanced research shall be conducted by the NSDB to develop in the short run a highly-trained corps of scientific technicians. The grant-in-aid to promote research and the science promotional activities will be financed out of appropriations of the NSDB.

D. Policy and Action Recommendations

The country's scientific and technological development can be accelerated by the following policies and measures:

1. Over and above regular appropriations, a substantial part of all savings of the government, in no case less than 10 per cent, must be donated to applied research.
2. Endowments to universities and donations or grants to government institutions for purposes of financing scientific research or development projects must be tax-free.
3. Immediate efforts should be exerted to improve the compensation of research personnel of the government.
4. Exceptionally important or meritorius researches should entitle the scientific worker to a bonus by the NSDB as an incentive to the scientist.
5. A loan guarantee fund of ₱1 million to be administered by the NSDB should be appropriated to guarantee loans in favor of deserving inventors to put their inventions into commercial production.
6. The NSDB should conduct a special training program for advanced research for scientific workers in the government and private industry using as instructors outstanding scientists in and outside the government service. The private research students who will be admitted at cost may work on problems of research of their own companies.
7. The NSDB should initiate the building of scientific brainstorming sessions by private industries with the same technical problems to improve productive processes and quality of products.
8. The NSDB should continue the policy of subsidizing deserving research projects undertaken by various government agencies particularly high priority project findings.
9. The NSDB should immediately establish a research pro-

gram to develop industrial uses for hitherto unutilized raw materials.

10. The opportunities for securing from foreign sources, financial or other assistance for research should be exploited to the fullest extent.

11. Priority shall be given by the NEC to the needs of scientific and technological development.

12. The NSDB should formulate an employment program for technicians who have been selected for and completed training in scientific research or technological development work to provide incentive to prospective scientists.

13. The government should maintain and in the future increase its financial support and other assistance to develop science and build up technical know-how as a vital factor to increasing national productivity and in laying a solid and lasting base for the economy.

Chapter 12

RECOMMENDATIONS FOR IMPLEMENTARY ACTION BY THE PRESIDENT, BY CONGRESS, AND BY VARIOUS AGENCIES OF THE GOVERNMENT

The various recommendations, policy or otherwise, embodied in the program will call in either case for: (1) approval by the President and enforcement through such implementing executive or administrative orders as may be needed and which are within the legal powers of the Executive Department to promulgate; and (2) for Congressional action on those recommended policies and measures which will require the sanction and force of law. In certain cases, however, some of the recommended policies and action measures are already within the power of various agencies to immediately implement without need for new authorizations from either the President or Congress. Accordingly, it is important to delineate the specific roles and responsibilities of various agencies in the implementation of new policies and measures to be approved either by the President or by the Congress. In this light, the recommendations indicated below are being presented:

A. Recommendations for Action by the President

Over-all Recommendations

1. Early approval and endorsement of the Three-Year Plan followed soon thereafter with instructions to all governmental agencies to use the plan as an overall guide in readjusting departmental (and other agency) plans and current action programs to the objectives and goals indicated therein.

2. Make the National Economic Council a clearing house for all proposed bills on economic development and those which, although they may not specifically refer to economic development, may exert an important effect on the growth of the economy, emanating from various government agencies for presentation to Congress and for all approved bills of the same nature preparatory to approval by the President.

3. Give priority to reorganization measures having to do with the implementation of development programs and calling attention to the close scrutiny of the "staffing" phase in consonance with the requirements of the new organization and the

effective carrying out of the reorganized function. The emphasis should be on the selection of qualified, highly competent personnel at least for key positions.

4. Course through the National Economic Council for study and consideration all proposals regarding economic policies and measures emanating from all government agencies for administrative decision by the President, to avoid possible conflicts with the objectives and goals embodied in the approved plan.

5. Require closer coordination and evaluation of activities, functions, and accomplishments of the various agencies by creating within available appropriations and means a small but effective evaluation unit on the departmental level in order to determine possible bottlenecks and possible measures to take to maximize program achievements.

6. There should be a simplification of the entire process of action on personnel matters. To avoid unnecessary delay of action on appointments, only those of a highly technical and executive nature should require approval of the Budget Commisison and the Office of the President. Those below this level should only go as far as the Bureau of Civil Service. Furthermore, to improve the morale of employees and effect greater efficiency, job security and stability should be provided at all levels below that of Department Secretaries and similar positions.

Specific Sectoral Recommendations

Agriculture, Fisheries and Forestry.

1. Creation of a super national rice and corn production committee made up of high-ranking government officials on which the responsibiltiy of implementing the rice and corn production programs will rest.

2. Grant of authority to the Reparations Commission to procure ₱500,000 worth of rubber-roller hullers in FY 1960 and ₱1,500,000 in FY 1961 for distribution at cost to groups of farmers by the ACCFA.

3. Issuance of an Executive Order allowing the exportation of fancy rice varieties.

4. Grant of authority to the Philippines Ambassador in Washington, D.C. to negotiate with the United States government for an increase in the Philippine sugar quota to the United States.

5. Creation of an animal industry council to enhance the development of the animal industry.

Manufacturing and Mining.

6. Encouragement of the expeditious sale of government enterprises that private interests are willing to buy.

7. Creation of a Committee to be composed of representatives from the National Economic Council, the Central Bank of the Philippines and the Bureau of Mines, to re-examine the present incentives provided for the gold industry.

8. Adoption of a policy whereby the domestic output both in terms of raw materials and finished products shall displace, as they are produced, the corresponding imports.

9. Exploration of all possibilities of financing the NASSCO steel mill and the two other government projects included in the Plan.

10. Adoption of a policy whereby the investment proposals on the processing of traditional exports into higher stages of production as well as the production of new export goods are immediately approved.

Services Development.

11. Implementation of Reorganization Plan No. 60 creating the Office of Transportation Planning in the Department of Public Works and Communications for the efficient coordination of the development of land, water, and air transportation.

12. Implementation of R. A. 1398 providing a ₱20 million revolving fund from the amount authorized under R. A. 1000 for the construction, reconstruction or improvement of private or communal irrigation systems. This will permit the rehabilitation of private and communal irrigation systems that are now only 60 per cent efficient. With their rehabilitation about 360,000 hectares of farm land will be benefited.

13. Implementation of R. A. 1909—"The Philippine Coastwise Shipping Act" and R. A. 1407—"The Philippine Overseas Act" by making available the funds provided for in said acts.

14. Disposal of government stocks in the Philippine Air Lines through sales of these stocks to the private sector.

Finance.

15. Adoption of a policy requiring the public financial institutions such as the Government Service Insurance System, the

Development Bank of the Philippines, the Philippine National Bank and the Social Security System, to utilize their investible funds to help support the development of government securities market.

16. Adoption of a policy relative to the structure of government securities such that their maturities, interest rates, redemption and denomination are suited to the needs of the general public.

17. Adoption of a policy whereby private financial institutions will be required to channel reasonable portions of their total investments in the form of government securities.

18. Grant of preference to projects that will contribute to the increase in the nation's production of goods and services at the earliest possible time.

19. Grant of priority to projects that have small foreign exchange requirements but will eventually assist foreign exchange saving and/or earning activities except government projects such as the NASSCO steel mill and similar enterprises.

20. Grant of high priority to projects that will provide more employment opportunities.

21. Grant of preferential attention to projects that are self-liquidating in nature or those that will earn income to meet requiremens for repairs, maintenance and amortization and interest payments.

22. Adjustment of the structure of government operating expenditures to maximize benefits from the use of government financial resources.

23. Gradual reduction of the level of national defense expenditures at the rate that will stabilize the level to about ₱150 million a year.

24. Adoption of a cash budget and improvement of the accounting system to enable the government to know its financial position on a cash basis.

25. Repeal of Executive Order 236 vesting upon an appropriate agency the functions of the fiscal policy council.

26. Adoption of the principle whereby the monetary and credit policy would give equal emphasis on the promotion of a rising level of output, employment and income, the preservation of the international value of the currency, and monetary stability.

27. Adoption of a multiple currency reserve system limited to some trade foreign currencies to widen the market fo Philippine exports.

28. Adoption of a foreign investment policy designed to promote and encourage joint Filipino-foreign ventures with local participation amounting to no less than 60 per cent.

29. Adoption of a policy of allowing desirable productive enterprises to acquire capital good and raw materials on a deferred payment basis.

30. The grant of first priority by the foreign exchange allocating agency to the raw materials requirements, at higher level, of existing firms engaged in the following: food manufacturing and related industries; textile manufacturing and related industries; construction materials and related industries; drug manufacturing; general administration and education materials; and the fuel industry. Also included are other essential industries, the local raw material cost of which will be at least 75 per cent of total raw materials cost.

31. Allocation of foreign exchange for the establishment of new capacity for the implementation of the projects included in the manufacturing and mining investment plans.

32. Non-allocation of foreign exchange for the establishment of new non-essential and luxury industries, the classification of which shall be determined by the National Economic Council and the Central Bank of the Philippines, during the first two years of the program in order to discourage in the meantime investment in these areas.

Foreign exchange allocation of existing firms producing non-essential and luxury goods which depend on imported raw materials shall be cut, in the meantime, by 50 per cent or more in order to bring about a shift in the utilization of foreign exchange favoring the basic and highly productive industries.

33. Adoption of a policy whereby all investment programs organizing agricultural, manufacturing and mining establishment and such similar ventures which would require the use of foreign exchange be prepared and certified to by a recognized and reputable economic, engineering and management consulting firm before submission to the government office concerned.

34. Adoption of a policy relative to the allocation of foreign exchange such that sufficient funds for the importation of machinery, spare parts, etc. are allowed to producers of export products.

Social Development

35. Establishment of an Executive Staff Academy to conduct inservice training program for managers and executives in the government service.

36. Implementation of the remaining approved reorganization plans of the Government Survey and Reorganization Commission.

37. The launching of a program to identify training needs

and to study the overall conditions of local governments in order to enable them to participate actively in economic and social development.

Trade and Commerce

38. Creation of a Foreign Trade Promotions Committee to be composed of a representative each from the Department of Foreign Affairs, Department of Commerce and Industry, Central Bank and the National Economic Council, which shall, among other things, order the implementation of a re-orientation and training program for commercial attaches and consular officials and prescribe the manner of conducting such a program.

B. Recommendations for Action by Congress

Over-all Recommendations

1. Adoption of a joint resolution by Congress endorsing a broad economic policy of increasing production, real income and employment as a guide to economic planning and development.

2. Enactment of a law creating a Joint Committee on Economic Development in Congress with a competent staff on the professional level to study the Economic Development Plan of the President.

3. The implementation of the program will require enactment of laws making available funds for the projects in the Plan. The goals set forth can be achieved only when the financial requirements are satisfactorily met.

Specific Sectoral Recommendations

Agriculture, Fisheries and Forestry.

1. An Act to amend R. A. 2084 by increasing the amount provided for, by ₱5 million a year for three years and the amount for fertilizers to be constituted into a special revolving fund.

2. An Act banning the importation of rice and corn.

3. An Act providing for the gradual Filipinization of the rice and corn trade.

4. An Act appropriating ₱20 million to be used as a fund to guarantee loans given the NARIC by lending institutions.

5. An Act establishing a floor price of ₱9.00 per cavan of palay and ₱7.00 per cavan of corn.

6. An Act appropriating ₱150,000 for the establishment of a potato-onion-garlic-black pepper seed farm in Mountain Province.

7. An Act authorizing the expansion of the Davao Abaca Seedling bank and appropriating necessary funds therefor.

8. An Act to amend R. A. 1194 to limit government purchase of Virginia leaf tobacco to high-quality leaf only.

9. An Act giving a cash subsidy of ₱0.10 per pound of cotton produced and sold to spinning mills, the funds for the subsidy to be raised from additional tax on imported textiles.

10. An Act to amend the National Internal Revenue Code eliminating the 7 per cent tax on the gross sales of raw rubber locally produced.

11. An Act appropriating ₱2 million a year for three years for the importation of superior breeds of animals and for other purposes.

12. An Act to amend R. A. 309 allocating one per cent from the gross earnings of the Games and Amusement Board from horse races, to the Bureau of Animal Industry for horse improvement work.

13. An Act authorizing the Bureau of Animal Industry to establish stock farms and appropriating funds therefor, and for other purposes.

14. An Act establishing an animal quarantine station under the supervision of the Bureau of Animal Industry and appropriating funds therefore, and for other purposes.

15. An Act appropriating the amount of ₱150,000 for the production of vaccines for animal disease control work and for other purposes.

16. An Act appropriating the amount of ₱100,000 for the expansion of the artificial insemination program of the Bureau of Animal Industry and for the other purposes.

17. An Act appropriating the amount of ₱150,000 for an expanded research program in livestock production and for other purposes.

18. An Act establishing a deep-sea fishery guarantee and loan fund and appropriating ₱2 million a year for three years therefor.

19. An Act appropriating the amount of ₱900,000 to be spent at the rate of ₱300,000 a year for the establishment of fish hatcheries and nursery ponds and for other purposes.

20. An Act appropriating the amount of ₱450,000 to be expended at the rate of ₱150,000 a year for exploratory fishing survey for tuna and other deep-sea resources.

21. An Act appropriating the amount of ₱600,000 to be spent at the rate of ₱200,000 a year for an expanded fishery research program.

22. An Act appropriating the amount of ₱300,000 to be spent at the rate of ₱100,000 a year to expedite settlement of conflicts regarding applications for lease of fishponds.

23. An Act prohibiting assessment of lands within public forests and penalizing violations thereof.

24. An Act providing for the establishment of permanent forests and prescribing the manner of their reduction or disestablishment and appropriating funds therefor.

25. An Act prohibiting the survey by private land surveyors of public forests without prior authority from the Director of Forestry, and providing penalties therefor.

26. An Act empowering the Director of Forestry to dispose of forest products through public bidding and for other purposes

27. An Act appropriating the amount of ₱600,000 to be expended at the rate of ₱200,000 a year for forests protection and for other purposes.

28. An Act appropriating ₱300,000 to be expended at rate of ₱100,000 a year for sustained-yield management of forests.

29. An Act amending R.A. 821 to establish a guarantee and loan fund of ₱60 million authorized at the rate of ₱20 million a year for the ACCFA, for the expansion of its crop loan lending operations.

Manufacturing and Mining

30. An Act creating a National Development Authority, defining its functions and for other purposes.

31. An Act dividing the National Shipyards and Steel Corporation into the National Steel Corporation and the National Shipping and Shipyards Corporation.

32. An Act amending Section 13 of the Corporation law to allow a person or corporation not engaged in mining to hold unlimited interest in not more than three mining companies, provided that should a person or corporation hold interest in more than three, such interest shall not exceed 40 per cent of the stock of any such corporation.

33. An Act whereby the grant of franchise for the establishment of electric power plants shall be conditioned on the use of coal as fuel whenever feasible in areas where coal is available to widen the market and utilization of the product.

34. An Act amending the Petroleum Act (R.A. 387) for the purpose of clarifying certain provisions in accordance with the experience and observations of the Bureau of Mines and the Department of Agricultural and Natural Resources.

Services Development

35. Authorization and appropriation of funds for: (a) the construction of irrigation systems to increase the irrigated area by 257,000 hectares during the program period, (b) flood control work particularly along the Agno and Pampanga River and the dredging of esteros in Manila, (c) for the construction of school buildings with a capacity of 2,200 classrooms a year for three years to alleviate the shortage of rooms in the elementary schools, (d) the construction of new hospitals and the expansion of existing hospital facilities to accomodate 1,000 hospital beds in three years, (e) the construction of 2,100 low-cost housing units in three years to improve the conditions in slum-squatter areas.

36. An Act amending Sec. 4 of RA 1909, the Coastwise Shipping Act, to reduce the 20 per cent down payment requirement on the acquisition of new boats to only 10 per cent of the cost upon execution of the contract with NASSCO for the construction of vessels.

37. An Act amending Sec. 5 of RA 1407, the Philippine Overseas Shipping Act of 1955, the increase shipping loans under said Act from 75 per cent to 90 per cent of the cost of vessels.

38. Provision of funds for the construction of 5,000 kilometers of feeder roads and the improvement of 16 national ports and 25 airports.

39. Enactment of a law to regulate the exploitation of underground water resources to complement our present water rights laws.

40. Re-examination of RA 1383, the NAWASA law, to formulate an amendment with a view to reconciling the conflicting interests of municipal, provincial, and city authorities and that of the NAWASA.

Finance

41. Amendment of sectons 21, 24, 30, 34, 45 (b) and (d), 47, 51, 53 (a), (b) and (e), 113, 134, 135, 137, 191, 203 of the National Internal Revenue Code.

These amendments will increase total governmental revenues by about ₱100 million. They involve the reversion of pertinent tax rates to old tax rates and new fiscal measures.

42. An Act to increase the gasoline tax by ₱0.02 per liter. This will involve an increase in revenue of about P16 million.

43. An Act to amend Sections 69 and 70 of the General Banking Act giving all commercial banks equal privileges regardless of ownership.

44. An Act to amend R.A. 265 allowing the establishment of a National Deposit Insurance System to strengthen the commercial and savings bank systems.

45. An Act adopting any or a combination of the following alternatives which are all aimed at increasing the country's foreign exchange earnings:

a. Imposition of 30 per cent tax on all types of import (special import privilege levy) transactions payable upon the opening of the letter of credit. Items that enter the imported components of the cost of living such as drugs, basic food-stuffs, etc. shall be exempted from this tax.

b. A profit differential incentive to export on the basis of from 10-20 per cent of world market prices of the product involved. The rate given will depend on the level of profits of the particular industry relative to other export industries and on the stage of processing of the commodity.

c. Retention of from 15-20 per cent of the foreign exchange earnings by the producer of the product exported to the U.S. market and of from 20-25 per cent on products exported to other world markets. The retained foreign exchange shall be in the form of import certificates maturing from 90 to 180 days and could be sold in the free market for the importation of non-essential consumer and/or capital goods and raw materials for desirable productive enterprises.

d. A foreign exchange scheme involving a multiple rate system. Three foreign exchange rates for both sales and purchases of foreign exchange shall be used: 2 to 1; 2.5 to 1; and third rate determined in the free market, each rate applicable to certain types of exports and imports. The rate structure shall be subject to periodic examination and review by the planning agency of the government.

46. An Act creating the National Authority on Trade and Industry which shall relieve the Central Bank of its import and export functions and shall serve as the agency that will implement the economic policies of the government relating to the promotion, development and protection of private industry and trade. It shall administer and implement policies relative to the promotion of joint ventures in the Philippines, the multiple reserve system, procure-

ment of capital goods and raw materials on deferred payment, and the measures aimed at increasing foreign exchange earning of the country.

47. An Act to repeal the No-Dollar Import Law (R. A. 1410).

48. An Act to repeal R.A. 901 (Tax exemption law of new and necessary industries).

49. An Act providing for the priority listing of foreign exchange requirements of new development projects manufacturing and mining and for other purposes.

Social Development

50. Increase of the outlay for the Department of Education by ₱50 million, ₱52 million and ₱49 million in FY 1960, FY 1961 and FY 1962, respectively, to meet the requirements of the program on education.

51. An Act requiring private universities and colleges to establish scientific research centers for basic and applied research.

52. Amendment of Income Tax Law so as to make grants, donations or endowments to public or private educational institutions to improve facilities and/or scientific researches and investigations fully deductible from the income of the donors and to exempt donees from gift taxes.

53. Approval of a bill to stabilize the financing of public secondary schools.

54. Transfer of all initial appropriation for new agricultural schools already approved by Congres but not yet established to other existing agricultural schools whose municipal or provincial support has been withdrawn.

55. Increase of the outlay for the Department of Health by ₱2.511 million, 2.45 million, and 2.60 in FY 1960, FY 1961, and FY 1962, respectively, to provide enough funds for the implementation of the health projects.

56. Provide funds for the implementation of the manpower and labor welfare, the social welfare, the community development and the public administration programs.

57. Provide funds for the implementation of approved Reorganization Plans.

58. Enactment of appropriate legislation regarding lobbying in the Congress by pressure groups, and of legislation prohibiting members of Congress and responsible officials of the executive department from making representations before offices or agencies

of the Government having to do with the grant of privileges, franchises or other benefits in favor of private individuals, corporations and other organized groups;

59. An Act fixing the tenure of office of the heads of the Bureau of Civil Service, Bureau of Customs, and the Bureau of Internal Revenue who shall be removable from office only through impeachment.

60. Revision of the Civil Service Law to readjust personnel processes and functions in accordance with the needs of the general plan for economic and social development.

61. Elimination of the undesirable features of implementation of the wage and position classification system and the transfer of its functions from the Budget Commission to the Bureau of Civil Service.

62. Integration of all the legal measures designed to prevent graft and corruption and the organization of a machinery that will insure the curtailment of all forms of dishonesty and expedite action on all cases of irregularity.

Trade and Commerce

63. An Act appropriating ₱1 million for the improvement of Tagaytay City and areas along Taal Lake, and ₱2 million annually for FY 1961 and FY 1962 for the improvement of other tourist resorts accessible to Manila. The decision on the priority of utilizing the ₱2 million for other tourist resorts shall be vested on a Tourist Resort Development Committee.

64. An Act appropriating ₱500,000 for the Bureau of Public Schools and ₱1 million for the NAMARCO to be used as a revolving fund for the purchase and sale of quality home industries products and for the work of improving the quality, design and standards of such products.

C. Recommendations for Action by Various Agencies of the Government

Over-all Recommendations

1. Develop the necessary staff in all government agencies for planning and programming the particular activities of the office, as well as for the analysis and evaluation of program performance and problems.

2. Examine present operating and administrative procedures

and policies and bring them into line with the policies and objectives prescribed in the development program.

3. Plan and program the activities for each succeeding year along the direction and objectives of the economic development program.

4. Adopt a system of upgrading technical personnel by in-service training and advanced training abroad through the technical assistance programs, including that to be developed under the reparations agreement.

Specific Sectoral Recommendations

By the Department of Agriculture and Natural Resources

1. Acceleration of its research program on scientific farming practices including the use of fertilizers and high-yielding seeds on non-irrigated lands.

2. Intensification of its campaign to encourage private enterprises to go into production of high-yielding seeds of rice and corn and of large scale planting of cassava, camote, Irish potatoes, peanuts cashew, coffee, cacao, black pepper, etc.

3. Consolidation of the coconut research work in the Bureau of Plant Industry which will be responsible for developing a systematic scheme of establishing new coconut plantations to replace old and disease infested areas.

4. Enlistment of the services, under the UNTAA, of one (1) plant virologist to work on kadang-kadang; of (1) fisheries biologist for assignment in the Bureau of Fisheries; and one (1) veterinary parasitologist to assist the Bureau of Animal Industry.

5. Intensification of the campaign on the use of modern abaca-stripping machines.

6. Expansion of the existing government stock farms, breeding stations and centers and provision of funds for the purpose.

7. Undertaking a periodic and regular nation-wide livestock immunization program through a joint cooperative effort of the Bureau of Animal Industry and the Bureau of Agricultural Extension.

8. Expeditious resolution of conflicts arising from overlapping fishpond claims.

9. Undertaking through the Bureau of Fisheries extensive fish stocking of depleted fresh water units including the establishment of fish hatcheries and ponds.

10. Undertaking through the Bureau of Fisheries an exploratory survey for tuna and other deep-sea resources.

11. Expansion of fishery research program.

12. Encouragement of the pearl culture industry by the Bureau of Fisheries.

13. Initiation and follow-up of a vigorous and systematic campaign of information on forest conservation, availing for the purpose the cooperation of the schools, parent-teachers associations, rural clubs, DANREAS, barrio councils, PACD units, etc. The national, provincial and municipal forestry councils should be reactiviated to bring about coordination of efforts.

14. Acceleration of the development of the system of community forests, school forests, etc.

15. Resettlement of squatters and kaingineros occupying forest lands in government settlement projects, tree farm zones, or at the nearest available disposable lands.

16. Intensification of the "forest sector" system of forest protection; and establishment of closer cooperation and coordination with the Philippine Constabulary, courts of justice and provincial fiscals on the apprehension and disposition of forest law violators.

17. Acceleration of campaign for the general adoption by timber licensees of selective logging system in all permanent forests.

18. Modification of the present system of renewing timber licenses on an annual basis such that after a reasonable probationary period of say, 2 or 3 years, 5 to 10 years licenses could be granted to qualified and deserving operators. Licenses should be awarded with the ultimate view of developing integrated wood-using industries.

19. Reduction of the inspection fee on lumber for export from ₱3.00 to ₱2.00 per thousand board feet; increase of the fee on log export from ₱3.00 to ₱5.00 per thousand board feet.

20. Assignment of special field teams to provinces with enormous backlogs of applications for pastures, tree farms and other applications for special forest land uses pending survey and inspection to expedite action on these applications.

21. Acceleration of the zonification of the public domain for pastures, tree farms, fishponds and other special forest uses to accommodate prospective permittees.

22. Encouragement of lumbermen and industrialists to go into planting of quick growing cash timber crops through the woodland lease system.

23. Closer coordination of work between the Philippine Constabulary and the Bureau of Internal Revenue, in order to plug or minimize leakages in revenues, loopholes and delays in collection of forest charges.

24. Revision of the land classification system with a view of accelerating the establishment of permanent forests.

25. Assignment of more log scalers in logging operations to insure collection of forest revenues.

26. Re-orientation and acceleration of the reforestation program for which an additional appropriation of ₱1 million a year for three years shall be provided.

By the Land Tenure Administration and the NARRA

27. Re-examination of the landed estates purchase and resale program to assure maintenance or improvement of the productivity of the farm units sold.

28. Acceleration of the resettlement program of the NARRA and its establishment of one agricultural colony a year for three years under a pattern suggested in the ecconmic development program.

By the National Power Corporation

29. Completion of the Binga Power Project and the Marikina Multi-Purpose Project to increase the electric power supply in the Manila and suburban areas by 128,000 KW.

30. Construction of the Maria Cristina Units No. 3 and No. 4 with a total capacity of 100,000 KW and of small hydro-electric plants with a total capacity of 6,200 KW together with the extension of transmission lines to developing rural areas.

By the NAWASA

31. Construction and improvement of 98 waterworks systems, the drilling of 4,200 artesian wells, and the development of 900 springs.

By the Reparations Commission

32. Making available to the NASSCO, shipping and constructoin materials and equipment for the construction or reconstruction of coastwise vessels and watercraft, provided the cost of construction should be on a cost plus basis.

33. The inclusion of the requirements of the Manila Railroad Company Extension Line to the Cagayan Valley in the 5-year Program of the Reparations Commission as provided for in Sec. 3 of RA 1867.

34. Procurement of the fishing boats, nets, and gear that have been scheduled for acquisition from FY 1959 to FY 1961 to be expedited.

By the Department of Education

35. The printing of Grades I and II Primers (readers) and the purchase of intermediate books worth ₱15 million provided in the Program.

36. The training of at least 300 teacher-technicians every year, who will train craftsmen in order to ensure the standardization of marketable crafts produced.

37. More rigid enforcement of the standard sizes prescribed for different classes.

38. Closer supervision of alien schools particularly the Chinese schools.

39. Inclusion of more indigenous teaching materials in Catholic schools curricula.

40. Establishment of a scientific research center in all private universities.

By the University of the Philippines

41. Expansion of the academic program of the Institute of Public Administration through grants of scholarships to qualified young men and women in the university and government agencies.

42. Establishment of a graduate program in Engineering.

43. Improvement and expansion of the research facilities and the research competence of the faculty.

44. Improvement of salary scales on the basis recommended by the Hanna Survey report.

45. Further training abroad of faculty members especially those engaged in the fields of science and technology.

By the Department of Health

46. Provision of more adequate laboratory facilities and trained scientific technicians to improve basic researches and to intensify the production of sera and vaccines such as cholera-dysentery-typhoid vaccines, BCG, flu, rabies, tuberculin, etc., to support the expansion of preventive medical services.

47. A more intensive campaign against intestinal parasites by pertinent government offices with the assistance of public schools.

48. Assignment of more nurses and midwives to the Rural Health Units and Puericulture Centers to eliminate "hilot" practices in delivery cases, and to improve maternal and child care.

49. Improvement of medical care and expansion of existing hospitals through the implementation of RA 1939 which fixes the proportionate share of the National, Provincial, City and Municipal Governments to the funds for the operation and maintenance of free beds in government hospitals and the provision of additional beds and the establishment of wards or pavilions.

50. Intensification of the educational campaign in the proper handling of garbage and the sanitary disposal of human wastes. Sewerage, drainage systems, comfort stations should be constructed in big centers of population.

51. Coordination with NAWASA on the construction of artesian wells and development of spring so as to locate them in areas where potable water is most needed.

52. Expansion of the mobile and stationary chest health units to provide a wider coverage for detection and case treatment.

53. Improvement of the collection, analysis, and timely reporting of vital statistics to provide the information necessary in the proper control of infectious diseases and the formulation of policies and future programs on public health.

54. Provision of facilities and technical personnel for a nutrition survey and for the intensification of nutrition education.

By the Department of Labor

55. Development of the natoinal apprenticeship program.

56. Establishment of ten regional labor market information offices and expansion of the staff and facilities of the present Labor Statistics Division of the Department of Labor.

57. Periodic holding of Labor-Management Congresses.

58. Expansion of labor law enforcement activities of the Department of Labor.

59. Eventual abolition of the "sacada", "cabo" and similar practices.

60. Implementation of the recommendations of the Special Committee appointed by the Secretary of Labor in 1956 relative to survey of employment conditions in the sugar industry.

By the Code Commission

61. Codification of all labor laws.

By the Industrial Development Center

62. Expansion of the training program for managerial and supervisory personnel.

63. Provision of assistance to management groups in the application of modern management techniques.

By the Social Welfare Administration

64. Establishment of four vocational rehabilitation centers.

65. Revitalization of the SWA through proper staffing during the reorganization process as well as the holding of in-service training programs.

66. Development of preventive social services and the establishment and maintenance of a social development pilot center for research and demonstration.

By the People's Homesite and Housing Corporation

67. Expansion of the low-cost housing projects to accommodate the housing needs of the low-income group.

By the Presidential Assistant on Community Development

68. The "social process" goal which is the development of citizen competence through participation rather than the "achievement" goal which is the mere increase of physical facilities in the community development program should be emphasized.

69. Studies on approaches, techniques and organization of community development for the purpose of assembling basic materials to further the effectiveness of the program, should be continued.

70. Community development efforts should be geared to national programs, and national programs be made more responsive to local aspirations.

By the Department of Justice

71. Strict enforcement of the Anti-Dummy Law.

72. Strict enforcement of penal laws and administrative orders

By the Budget Commission

73. Intensification of training programs for management analysts on a continuing basis, giving top priority to agencies directly administering economic and social development projects.

Central Bank of the Philippines and the National Economic Council

74. The re-examination of the consumer price index by the Central Bank of the Philippines and the National Economic Council in order to make it reflective of price conditions in the whole country.

Central Bank of the Philippines

75. Adoption and maintaining of a fixed ratio (20 per cent) of international reserve to money supply.

76. Re-examination of the Central Bank remittance formula to make it more flexible subject to periodic examination in the light of the foreign exchange situation.

By the Department of Commerce and Industry

77. The organization of private business associations in both foreign and domestic trade to be initiated and fostered by the Department of Commerce and Industry which will provide the technical services and facilities.

78. The promotion of intensified sales campaign for our export commodities by the Department of Foreign Affairs in cooperation with Department of Commerce and Industry.

By the Tariff Commission

79. Making use of the tariff as a means of providing protection to infant industries instead of tax exemption and other subsidy schemes which mean a loss of revenue on the part of the government, on the giving and acceptance of gifts by public officials.

Other Government Agencies

80. Improvement of accommodation facilties of the public elementary, secondary, vocational, and technical schools.

81. Modernization of the existing Manila Railroad facilities and the extension of the line to the Cagayan Valley.